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The editors invite submissions of articles, special reports, and news items, which should be sent to the editorial offices at:

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Given the Journal’s use as a teaching tool, articles most likely to be accepted are those that deal with pragmatic aspects of public sector auditing. These include case studies, ideas on new audit methodologies, or details on audit training programs. Articles that deal primarily with theory would not be appropriate.

The Journal is distributed to INTOSAI members and other interested parties at no cost. It is also available electronically at www.intosai.org and by contacting the Journal at spel@gao.gov.

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In 2002, when the Office of the Auditor General of Canada (OAG) agreed to audit the federal government’s management of three contracts that had been awarded to a communications agency 7 years earlier, no one could have envisioned the consequences. The initial audit took only 8 weeks from the start to the final report, but the findings about the program that awarded the contracts dominated the Canadian political agenda for 4 years. Unexpected results included a public judicial inquiry prompted by the audit findings—the first in the OAG’s 128-year history—criminal prosecutions, and jail terms for a few key players. In the process, the Auditor General of Canada’s working papers were subpoenaed and its methodology was challenged. The lessons learned from this experience of intense public scrutiny and the changes made to the OAG’s practices as a result may be useful to other SAIs.

Background
In March 2002, the then Minister of Public Works and Government Services asked the OAG to audit three contracts totaling 1.6 million Canadian dollars (1.1 million euros) that had been awarded to a communications agency in the late 1990s for advertising services designed to increase the visibility of the government of Canada. That audit report, presented to Parliament in May 2002, revealed significant shortcomings at all stages of the contract management process. Because of the nature of the findings, we referred the government’s handling of the three contracts to the Royal Canadian
Mounted Police (RCMP), our national police service. We also decided that we would undertake a governmentwide audit of the sponsorship program and advertising activities of the government of Canada.

Sponsorships were intended to increase the visibility of the federal government in the province of Quebec by associating the government with popular sports and cultural events and organizations. In exchange for government funds, organizations agreed to provide visibility to the government by, for example, using the Canada wordmark and the Canadian flag at their events and on promotional material. Communications and advertising agencies acted as intermediaries between the government and the events organizations and received production fees and commissions.

Audit Findings on the Sponsorship Program

Our audit found that Parliament had not been informed of the program’s objectives or the results it achieved and was misinformed as to how the program was being managed. Those responsible for managing the program broke the government’s contracting rules in the way they selected advertising firms and awarded contracts to them. We found significant shortcomings at all stages of the contract process: in making the decision to contract the work, developing the contract specifications, selecting the contractor, and ensuring that the government received the contracted goods or services before paying the contractor.

There was a lack of transparency in decision making. No written program guidelines provided clear criteria for eligibility, and no written objectives indicated that the program had been part of a national unity strategy. Moreover, a lack of documentation prevented us from determining why an event was selected for sponsorship, how the dollar value of a sponsorship was determined, or what federal visibility the sponsorship would achieve.

Furthermore, there was little oversight of financial activities, and fundamental principles of control were violated. Roles and responsibilities were not segregated to eliminate opportunities for fraud or an override of controls by management.

There was little evidence of analysis to support the expenditure of more than 250 million Canadian dollars (173 million euros) from 1997 to March 2003. Over 100 million Canadian dollars (69 million euros) of that was paid to communications agencies as production fees and commissions.

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1 In cases of suspected fraud, the Auditor General of Canada can refer matters to the RCMP’s commercial crime unit. This, however, happens infrequently.

2 The Canada wordmark is the brand identifier of the government of Canada and its departments.
In some cases, sponsorship funds were transferred to Crown corporations using highly questionable methods that appeared to have been designed to provide significant commissions to communications agencies while hiding the source of funds and the true nature of the transactions. Some payments were based on false invoices and contracts.

Appearing before the Standing Committee on Public Accounts, I informed parliamentarians of the appalling lack of regard for rules and regulations that we saw in the way contracts were managed. Equally disturbing was that it happened in the very department, Public Works and Government Services, that is supposed to ensure prudence, probity, and fairness in contract management throughout the government. The problem was not a lack of rules but the failure to observe existing rules.

Our audit revealed that the government had run the sponsorship program in a way that showed little regard for Parliament and its financial administration legislation. Controls and oversight mechanisms that should have been in place had collapsed. Moreover, politicians and senior bureaucrats were reluctant to recognize their responsibilities and to be accountable for their actions.

The Gomery Commission

Our governmentwide audit report on the sponsorship, advertising, and public opinion research activities of the Canadian government was tabled in the House of Commons on February 10, 2004. A few days later, the government announced the creation of a Commission of Inquiry into sponsorship and advertising activities. It also hired a special counsel to recover funds that might have been improperly received through the sponsorship program. The government cancelled the sponsorship program in December 2003, several months before we tabled our audit in the Canadian legislature.

The public inquiry, headed by Justice John A. Gomery, a judge of the Superior Court of Quebec, had a double mandate: (1) to investigate and report on questions raised in our report and to make recommendations to the government of Canada based upon its factual findings and (2) to prevent mismanagement of sponsorship programs and advertising activities in the future.

For the first time in the OAG’s history, all of our working papers were subpoenaed, and a written statement of evidence provided us with an opportunity to explain our audit methodology. My staff and I appeared before the Commission on two occasions, for a total of 4 days. Hearings were broadcast live on national television.

The Gomery inquiry could have discredited our methodology and harmed our credibility. Any serious doubts about our facts or findings raised in the course of the public inquiry could have tarnished the confidence the public and Parliament have in our audit institution.

Crown corporations are distinct legal entities wholly owned by the government. They deliver important public programs and operate in many sectors of the Canadian economy, including financial services, culture, transportation, agriculture and fisheries, energy and resources, and government services.
But our meticulous adherence to methodology and professional standards stood us in very good stead throughout the events. And the Gomery inquiry concluded its hearings without any serious challenge to the credibility of our report. Justice Gomery commended our work in his final report: “It became apparent to me throughout the hearings that, with virtually no exceptions, the conclusions of the Auditor General of Canada, expressed in Chapters 3 and 4 of her 2003 Report to Parliament, have been confirmed.”

Our audit of the sponsorship and advertising activities of the Canadian government and the ensuing activities of the Commission of Inquiry lasted over 4 years and put enormous pressure on our staff and resources. The credibility of our office was put to the test. Our practices and methodology were scrutinized as never before, and we had to respond to an unprecedented number of media inquiries.

As a result of its investigation, the RCMP laid fraud charges against the senior bureaucrat who managed the program and three advertising executives. Thus far, the senior bureaucrat and two advertising executives have been found guilty and sentenced to jail terms.

Lessons Learned

Given that an audit had never been the subject of a public inquiry in Canada, we documented the events and lessons learned. Having our working papers subpoenaed for the public inquiry taught us that we could no longer assume that our working audit papers will remain confidential.

We have since developed guidance for dealing with audits that have the potential of leading to public inquiries. One step we have taken is to involve senior management and communications staff early in the audit process.

We have also taken steps to further strengthen our audit evidence to ensure that it can withstand a vigorous challenge. For example, we have decided that interview notes should be signed by interviewees when the contents are evidentiary in nature.

As soon as our report was tabled, the public discussion about it became extremely political as the government and opposition parties engaged in a political tug of war about who was responsible. When we saw how the public debate was evolving, we stopped giving media interviews. Despite this decision, we continued to be mentioned in news stories about the “sponsorship scandal,” as it was called by the media, for many months.

The parliamentary Public Accounts Committee later commended our work, noting the following:

Efforts were made by some witnesses to discredit or refute certain elements of the Auditor General’s report [on the sponsorship program]. These efforts were generally self-serving and wholly unconvincing. From past experience, the [Public Accounts] Committee is quite familiar with the audit methodology
employed by the Office of the Auditor General and the vetting process the Office [SAI Canada] follows to confirm the findings that methodology produces. This process is painstaking and thorough.

The overwhelming weight of the evidence presented to the [Public Accounts] Committee has consistently confirmed and strengthened the observation and conclusions made by the Auditor General in her report [on the sponsorship program].

That our report withstood intense public scrutiny reflects well on the rigor of our audit work and the professionalism of the men and women who work at the Office of the Auditor General of Canada.

Finally, it was rewarding for me, as head of our supreme audit institution, to ascertain firsthand that Canadians and parliamentarians continue to hold our office in high regard and have great confidence in the quality of our audit work.

The Auditor General of Canada’s report to the House of Commons on the sponsorship program is available online at


or

Since its adoption 2 years ago, the INTOSAI strategic plan has had a profound effect on INTOSAI. The organization has realigned itself to comport with the plan, and the plan continues to be implemented with great efficiency and broad-based support. The plan’s impact can also be seen in the agenda of the Governing Board’s annual meetings, which are now structured to reflect the plan’s four major goals: accountability and professional standards, institutional capacity building, knowledge sharing and knowledge services, and model international organization.

This was evident at the 55th annual meeting of the board held in Mexico City November 1-2, 2006. Hosted by Arturo González de Aragón, Auditor General of Mexico and...
host of the 2007 INTOSAI Congress, the meeting featured reports by the chairs of the four goals. A summary of decisions regarding implementing the strategic plan is provided below; a full report on the meeting will be included in the next INTOSAI Circular.

**Goal 4: Model International Organization**

Goal 4 was discussed first on the agenda. Osama Jaffir Faquih, chair of the Finance and Administration Committee and President of the Saudi Arabian SAI, led the discussion. Mr. Faquih’s report includes the following committee recommendations on organizational issues identified in the strategic plan:

- Develop a framework that provides policy guidance for INTOSAI’s enterprise-wide bodies when dealing with global donors and partners.
- Increase annual membership assessments, which have not been increased since 1983. (The board approved this recommendation, which will be presented to the full membership for adoption at the 2007 Congress.)
- Develop a global communications policy and a Web-based communication tool to facilitate communications among committees and working groups. (The board approved this recommendation.)
- Identify potential associate members of INTOSAI who meet the following criteria: governmental or nonprofit international organizations that operate globally and are involved in accountability, transparency and governance issues.

The Finance and Administration Committee will meet in Oslo in March 2007 to finalize its report and related recommendations for the 2007 Congress.

**Goal 1: Accountability and Professional Standards**

Goal 1 was next on the agenda. The discussion featured progress reports by Henrik Otbo, chair of the Professional Standards Committee (PSC) and Auditor General of Denmark, and several subcommittee chairs. Mr. Otbo highlighted the five areas that the committee work is focusing on:

- finalizing a common framework for all INTOSAI professional standards;
- conducting a survey on the status of INTOSAI’s standards and guidelines;
- establishing a new group, chaired by France, to develop accountability and transparency principles;
- establishing a new subcommittee on performance audit chaired by Brazil; and
- carrying out the ongoing work of the committee’s subcommittees (internal control standards, accounting and reporting, SAI independence, financial audit guidelines, compliance audit, and performance audit).
Mr. Otbo emphasized the committee’s dual approach to developing standards—that is, (1) basing INTOSAI’s work wherever possible on standards that are widely recognized among SAIs and (2) working to harmonize public sector audit internationally by recognizing, using, and building on standards issued by other standard-setting bodies to the maximum extent possible and appropriate. In addition, INTOSAI will develop complementary guidance where there is a special need and/or a pressing concern and will seek to influence international standards to address issues of particular interest to SAIs.

The next meeting of the PSC Steering Committee will be in Bahrain, April 23–24, 2007, and the full PSC Committee will meet at the INTOSAI Congress in Mexico City. For more information, visit the PSC’s Web site: http://psc rigsrevisionen.dk/.

**Goal 2: Institutional Capacity Building**

Ahmed El Midaoui, chair of the Capacity Building Committee (CBC) and President of the Moroccan SAI, reported on the committee’s work in support of goal 2 of the strategic plan. Dr. El-Midaoui summarized the results of the committee’s inaugural meeting in London in March 2006 (see this *Journal*, July 2006, pp. 4-6, for more details). He reported that the following three subcommittees established at the London meeting have been developing and implementing their work plans:

- Subcommittee 1, Promoting Increased Capacity Building Activities, chaired by the United Kingdom with Cayman Islands as vice chair;
- Subcommittee 2, Developing Advisory and Consultant Services, chaired by Peru with Kazakhstan as vice chair; and
- Subcommittee 3, Promoting Best Practices and Quality Assurance through Voluntary Peer Reviews, chaired by Germany with Bangladesh as vice chair.

Dr. El-Midaoui and CBC vice-chair David Walker, Comptroller General of the United States, also reported on meetings with major donors interested in supporting INTOSAI’s capacity-building efforts, notably the World Bank.

The INTOSAI Development Initiative’s (IDI) annual report was also presented under goal 2 since IDI is a central provider of training and capacity building for INTOSAI members. Juergen Kosmo, Auditor General of Norway, reported on IDI’s activities during 2006, highlighting IDI’s capacity-building work in training, regional networks, cooperation with INTOSAI committees and working groups, information programs, and distance learning. For more information on IDI programs, see the special article on IDI’s 20th anniversary on page 20, IDI’s quarterly update on page 37, and IDI’s Web site: www.idi.no.
Goal 3: Knowledge Sharing and Knowledge Services

The report of goal 3 activities was led by Vijayendra Kaul, board liaison for goal 3 and Comptroller and Auditor General of India. The report includes information about the alignment of the many goal 3 entities with the strategic plan; the results of a survey on topics for best practices, benchmarking, and case studies; and potential partnerships with academic and professional institutions. Demonstrating the breadth and depth of INTOSAI’s work on the goal, the following groups also delivered reports: public debt, information technology, environmental auditing, anti-money laundering, program evaluation, audit of international institutions, and audit of disaster recovery aid.

Plans for this Journal’s new Web site were also unveiled as part of the goal 3 presentation, featuring a PowerPoint presentation by Mr. Walker, United States, that illustrated how the Journal is being transformed to take full advantage of technology and make it more useful and accessible to readers. The Journal’s new Web site will be announced in early 2007.

For more information, contact the Journal at intosaijournal@gao.gov.
Bermuda

Annual Report Issued


The report contains observations from the audits completed, noting that the accounting records of many entities were seriously in arrears and that their audits could not be completed by the January 2006 deadline. The report also includes recommendations to address the problems and deficiencies observed.

For additional information, contact the Office of the Auditor General:

Fax: ++441-295-3849
Web site: www.oagbermuda.gov.bm

Canada

Report Cites Improvements Needed in Government Response to Climate Change

In a report tabled in the House of Commons in September 2006, Johanne Gélinas, Commissioner of the Environment and Sustainable Development for the Office of the Auditor General, cited the federal government’s poor track record in dealing with climate change. Instead of declining, greenhouse gas emissions are continuing to grow, and Canada will likely not be able to meet its international commitments to reduce those emissions.

The report notes that the transportation and industry sectors account for more than three quarters of Canada’s greenhouse gas emissions. However, even if key measures proposed for these sectors are implemented, they may only slow the rate of emission growth. The audit found potentially serious financial implications for the Canadian taxpayer in the proposed system for trading domestic emissions.

The report concludes that the government must apply the basics of
good management—governance and accountability—in its leadership of climate change. Those involved need to clearly understand, agree to, and fulfill their roles and responsibilities. However, the government has yet to create an effective governance structure for managing its climate change activities and has not yet issued promised public reports.

Looking to the future, the Commissioner urged the government to come up with a credible, realistic, and clear plan with short- and long-term goals to reduce greenhouse gas emissions; in particular, the government’s plan should address the long-neglected need to help Canadians cope with the consequences of climate change.

The Commissioner welcomed the government’s agreement to act on the recommendations in her report, which created considerable interest among the members of Parliament and the Canadian media.

The mandate of the Commissioner of the Environment and Sustainable Development and her audit team is to audit how well federal departments and agencies implement government policies on environmental and sustainable development issues and report to Parliament and Canadians.

The report is available online at: www.oag-bvg.gc.ca/domino/reports.nsf/html/.

For additional information, contact the Office of the Auditor General, Communications:

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Peoples Republic of China

New Audit Law Enacted

In February 2006, the Standing Committee of the 10th National People’s Congress (NPC) passed a new audit law that President Hu Jintao signed into law in June 2006.

An earlier audit law was enacted in January 1995. Since that time, changes in the Chinese economy and society raised many new issues and problems for audit institutions. New tasks and expectations made it necessary to amend and improve the audit law.

While the new law does not change the framework and basic content of the earlier law, it does make changes in the following four areas:

First, the law improves the audit and supervision system. Specifically, it clarifies the legal basis for making audit assessments and decisions; stipulates that audit reports should focus on results related to budget implementation; permits standing committees of the people’s congresses to adopt resolutions based on the audit reports; requires governments report to the standing committees of the people’s congresses at their corresponding levels the results of actions taken to resolve problems identified in audit reports; and stipulates that the heads of local audit institutions should be appointed or removed only after consulting with audit institutions at the next higher level.

Second, the law strengthens audit duties. To meet needs arising from reforms related to state-owned financial institutions, state enterprises and institutions, and investment and financing systems, the law adjusts the scope of audits to include institutions using government funds and construction projects mainly financed by government investments. The law clearly stipulates that audit institutions shall audit the economic responsibilities of heads of government departments and other units subject to auditing and shall have the power to review audit reports of public auditing firms.

Third, the law enhances audit powers. It grants audit institutions the power to (1) require auditees to provide electronic data stored and processed by computers and relevant computer technology documents and (2) examine auditees’ computer accounting systems. Audit institutions also have the power to investigate auditee savings deposited in financial institutions in the name of an individual and to have the department of finance suspend auditee assets obtained through transferring or concealing relevant documents or violating state regulations. Audit institutions have the power to ask for assistance from relevant agencies to complete their tasks.

Fourth, the law standardizes audit practices. It requires audit institutions to improve the efficiency of audit work and give adequate consideration to the opinions of auditees. If an audit institution believes that a lower-level audit institution has made an audit decision that violates relevant state regulations, that decision can be modified or repealed. The law provides a means of appealing an audit decision concerning relevant public revenues and expenditures if an auditee disagrees with it. The law also delineates new legal responsibilities for audit institutions that divulge state or business secrets.

The amendment and promulgation of the new audit law is a milestone.
in the development of the audit profession in China. It will promote audit institutions' ability to fulfill their duties, further strengthen audit influence, provide improved financial and economic safeguards, ensure the correct administration of government departments, and facilitate progress in the government rule of law. The law will further standardize the execution of audit mandates, strengthen control over audit quality, ensure objectivity and fairness in audit results, and promote practical and realistic practice and continuous improvement in audit quality and standards.

For additional information, contact the China National Audit Office:
Fax: ++86 (10) 68 33 09 58
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Web site: www.audit.gov.cn

Colombia

New Comptroller General

In September 2006, Julio Cesar Turbay Quintero was named to a 4-year term as Comptroller General of the Republic of Colombia. Upon assuming office, he stated that the slogan for his administration will be “Building Public Morality.”

Mr. Turbay graduated as a lawyer-economist from the Javeriana University of Bogota. He studied political science at New York University and has a master’s degree in management from the School of Business of the University of Miami. He was a council member for several municipalities in the Department of Cundinamarca, where he was also deputy to the regional parliament. He was a member of the Colombian House of Representatives (the lower chamber of the Colombian Congress) and served three terms as senator.

Mr. Turbay also served as a judge and an official of the central and agrarian banks. He is the son of Julio Cesar Turbay Ayala, president of Colombia from 1978-1982, who recently passed away.

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Fax: (57-1) 3537648
E-mail: OOrjuela@contraloriagen.gov.co
Web site: www.contraloriagen.gov.co

Greece

New President of the Court of Audit

Georgios-Stavros Kourtis has been appointed the president of the Greek Court of Audit. A graduate of the Athens University law school, Mr. Kourtis practiced law from 1968 to 1972. From 1972 until 1995, he served in a variety of positions as a judge, examining judge, and presiding judge. In 1995, he was appointed judge counselor in the Court of Audit and, in 2001, he was promoted to vice president of the court. From 1996 to 2000, Mr. Kourtis was the deputy director of the National School of Judges, where he also taught financial, contractual, and administrative law. He served as a member of the central law-making committee from 1982 to 1988. Since 2004, he has been president of the three-member auditing committee responsible for examining the accounts of the organizing committee for the 2004 Athens Olympic Games. Mr. Kourtis is a member of the Greek Jurists Union and the Society of Administrative Studies and the author of many scientific essays.

For additional information, contact the Court of Audit:
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India

Annual Report Issued

The Office of the Comptroller and Auditor General of India recently issued the Activity Report of the Indian Audit and Accounts Department for the Year 2004-05. This was the 21st annual report for the department, and its layout was completely revised to better communicate with users.

The report highlights the issuance of 80,471 audit inspection reports and 86 audit reports to the Parliament. The office carried out 299 performance audits of the economy, efficiency, and effectiveness of expenditures; its work proposed the recovery of significant amounts of funds.

See the office’s Web site for a copy of the report.

For additional information, contact the Office of the Comptroller and Auditor General of India:
**New Zealand**

**Report on Health Funding Package**

The Office of the Controller and Auditor-General of New Zealand recently published a report entitled *Allocation of the 2002-05 Health Funding Package*. Through the Health Funding Package, which was introduced in 2002, the New Zealand government injected a considerable amount of new funding into the health sector. The package introduced a 3-year horizon for health funding to replace the previous annual funding cycle.

The report notes that the Ministry of Health had good documentation to support decisions on allocating funds from the package. Unfortunately, the auditors could not determine how the package funds were ultimately spent because district health boards and many ministry directorates did not keep separate records of package funds.

For additional information, contact the Office of the Controller and Auditor-General:

Fax: ++(04) 917 1549  
E-mail: reports@oag.govt.nz  
Web site: www.oag.govt.nz

**Puerto Rico**

**Anticorruption Program**

The Office of the Comptroller of Puerto Rico developed an anticorruption program that recognizes the efforts of entities to comply with standards of good governance and develop anticorruption policies. The program was developed to encourage public servants to comply with laws and regulations and address deficiencies identified in audits of the use of public funds and property. The office established standards and, in 2005, began issuing certificates of compliance to those entities that complied with at least 80 percent of the standards.

The standards are the following:

- enactment and dissemination of the entity’s values and culture of ethics;
- publication of rules of conduct;
- establishment of a hot line;
- assignment of responsibility to receive and investigate complaints;
- regulation of human resource issues (recruitment, rewards, disciplinary actions, and background checks);
- issuance of rules for continuing education (for new personnel and annual reviews for other personnel);
- establishment of review methods (internal and external audits, rules of supervision, and annual internal control reviews);
- establishment of an effective internal audit activity;
- establishment of an internal audit committee; and
- performance of an annual risk assessment.

In 2005, 110 public entities participated in the program, and 85 (77 percent) received a certificate of compliance.

For additional information, contact the Office of the Comptroller of Puerto Rico:

Fax: ++1 (787) 751-6768  
E-mail: ocpr@ocpr.gov.pr  
Web site: www.ocpr.gov.pr

**Saudi Arabia**

**Symposium on Performance and Environmental Auditing**

In April 2006, the General Auditing Bureau (GAB) held its third symposium on enhancing cooperation in comprehensive and performance audit. Osama Jafar Faquih, President of the GAB, opened the symposium, which was held in the Institute of Public Administration in Riyadh and was attended by top officials of the finance departments in the public sector, companies, and corporations. The symposium focused on a comprehensive perspective on performance and environmental auditing.

Recommendations adopted by the symposium include the following:

- Central government units, particularly those in health and education, should work with the service sectors to develop and adopt performance measures designed to foster good governance and evaluate management initiatives and efficiency in exploiting available resources and effectiveness in achieving objectives. To accomplish this work, government units should adopt a scientific methodology based on the following criteria: (1) identifying specific objectives that can be assessed quantitatively and qualitatively, (2) avoiding duplication of efforts among government units, (3) simplifying service delivery to the public, and (4) promoting performance efficiency by rotating government staff among departments according to actual work needs.
To improve institutional performance, programs should be compared by reviewing their respective (1) specific objectives, (2) organizational charts and allocation of program resources, (3) execution costs, (4) achievements and economic and social returns generated as value for money, (5) scientific and objective indicators to assess program performance, and (6) accounting and information technology systems to provide management data needed for decision making.

Organizational performance should be assessed by activating internal control units to determine the extent to which objectives have been achieved, to analyze causes for deviations, and to identify corrective actions.

Concerned agencies should coordinate their efforts to create and issue uniform rules and regulations for environmental protection.

A team drawn from specialized bodies should be formed to consider requiring companies to disclose possible environmental damage resulting from their activities and to identify how this damage will be handled and any subsequent compensation will be paid.

For additional information, contact the General Auditing Bureau:

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The Role of SAIs in Preparing for and Responding to an Influenza Pandemic

By Susan Ragland, U.S. Government Accountability Office

An influenza pandemic is a real and significant worldwide threat. Pandemics occur when a new influenza virus emerges that infects and can be effectively transmitted between humans who have little immunity to it. The last three worldwide pandemics occurred in 1918, 1957, and 1968 and killed approximately 40 million, 2 million, and 1 million people, respectively.

SAIs can play an important role in helping their nations prepare for an influenza pandemic by drawing on past experiences and lessons learned and looking ahead at what needs to be done. SAIs can

- help ensure sound planning and preparedness;
- help ensure that investments and activities provide value, whether or not a pandemic occurs; and
- strengthen existing or emerging networks, thereby contributing to each nation’s overall infrastructure for emergency preparations and response.

Because of the global nature of pandemics, it will be important for SAIs to work together to enhance worldwide preparedness and also to strengthen countries’ capabilities to respond to and recover from a pandemic.

While health experts cannot predict with certainty which strain of influenza virus will be involved in the next pandemic, some suggest that the avian influenza virus identified in Asia, known as H5N1, is the most likely candidate. To date, the virus has spread among domestic and wild birds in about 50 countries in Asia, Africa, the Middle East, and Europe. Although H5N1 remains largely a disease among birds, a pandemic could result if the virus mutates to spread quickly from person to person. According to the World Health Organization, as of November 29, 2006, 258 persons in 10 countries had been infected with the virus since 2003. Of those infected, 154 died.

The potential scale of an influenza pandemic will depend on whether all national capabilities are leveraged and coordinated action is taken by all segments of government and society. Therefore, a strategy that extends well beyond health and medical boundaries is necessary—one that includes sustaining critical infrastructure, private sector activities, the movement of goods and services across the nation and the globe, and economic and security considerations.

This article describes the strategy that the U.S. Government Accountability Office (GAO) has developed to integrate its efforts to examine the programs, functions, and tools that the United States will need to effectively prepare for, respond to, and recover from an influenza pandemic. This strategy could involve a range of approaches.
including reports and testimonies, briefings, partnerships, forums, expert panels, and constructive engagements. GAO will continue to look for opportunities to consult with other organizations and draw on their expertise as appropriate, leverage ongoing efforts, and limit potential overlap or duplication of efforts.

Key Themes Requiring Attention

GAO developed its strategy to help inform the U.S. Congress’ decision making and oversight of pandemic-related efforts and to help the United States prepare for a pandemic in ways that are sustainable over the longer term. The strategy builds upon a large body of work, contained in over 120 reports and testimonies that GAO has conducted over many years on areas such as prior disasters, assessments of public health capacities, and efforts to address the year 2000 computer challenges. Based on lessons learned from prior work and consideration of the unique characteristics of an influenza pandemic, GAO developed six key themes to guide its work (see figure 1).

Figure 1: Key Themes of GAO’s Proposed Pandemic Work

Leadership, Authority, and Coordination

GAO’s past work has highlighted the particular importance of leadership, authority, and coordination, a theme that touches on all aspects of preparing for, responding to, and recovering from an influenza pandemic. In November 2005, the President of the United States released a national strategy for influenza pandemics that outlines
how the United States is preparing for, and will detect and respond to, a potential pandemic. In May 2006 a companion plan was issued to guide efforts to implement the strategy. Under the U.S. national strategy and implementation plan, individual federal agencies were assigned important leadership responsibilities in different areas.

Given the multitude of organizations within the federal, state, and local governments, the private sector, and other countries that will be involved, it is important for all to have (1) a clear understanding of leadership roles and responsibilities and (2) the authorities needed to operate effectively and ensure accountability for collaborative efforts. Key issues include the extent to which leadership roles and responsibilities are clearly defined and have appropriate authorities in place. GAO will also be looking for innovative leadership approaches that can be used to improve efforts to address crosscutting and multisection 21st century challenges, such as influenza pandemics and other catastrophic events.

**Detecting Threats and Managing Risks**

International disease surveillance is a key component in detecting threats. The U.S. Centers for Disease Control and Prevention (CDC) collaborate with multiple public health partners, including the World Health Organization (WHO), to obtain data on national and international influenza activity. Disease surveillance, although improved through efforts such as those of the CDC and WHO to improve influenza surveillance in Asia, still presents challenges. Many countries lack health care infrastructures and public health laboratories, and others lack systems for reporting crucial disease information to authorities.

Key issues to be addressed include examining what U.S. agencies and international organizations are doing to strengthen domestic and international efforts to detect and report animal and human outbreaks.

**Planning, Training, and Exercising**

By their very nature, catastrophic events can overwhelm responders, making sound advance planning critical. Robust training and exercise programs to test plans in advance of a real disaster are also essential. However, GAO’s work over the years has shown that these have been lacking in relationship to the challenges of preparing for and responding to the annual influenza season.

Two key issues to be addressed include (1) assessing the extent to which the various planning efforts at all levels of government and sectors represent a comprehensive, coherent, and integrated national framework for a possible influenza pandemic and (2) identifying the processes for testing and exercising implementation plans and those who are responsible for ensuring that the results are used to address any issues or problems identified.
Capacity to Respond and Recover

In addition to the profound human costs from illnesses and deaths, the economic and societal repercussions of a moderate to severe pandemic would be significant. A World Bank official noted that the disruptions associated with SARS led to an economic loss of about 2 percent in regional gross domestic product in the second quarter of 2003. The U.S. Congressional Budget Office has estimated that a pandemic on the scale of the 1918 pandemic could result in a 5-percent reduction of gross domestic product in the United States over the subsequent year. Rates of employee absences would depend on the severity of the pandemic and, according to the CDC, might reach 40 percent during the peak weeks of an outbreak.

Issues to be addressed include assessing what is being done to provide the necessary surge capacity in the human and animal health care infrastructure to address likely needs during a pandemic (e.g., availability of hospital beds; medical supplies, including vaccine; and key human capital capacities, including doctors, nurses, and veterinarians); examining how ethical issues concerning the sharing and distribution of scarce resources are being considered and addressed; and evaluating the extent to which the United States and its international partners are addressing critical resource constraints that impact the capacity of countries to respond to an influenza pandemic.

Information Sharing and Communication

GAO’s evaluations of public health and natural disaster preparedness, response, and recovery show that insufficient collaboration has created challenges for sharing public health information and developing interoperable communications for first responders. Effective coordination between public health and animal health surveillance activities is also necessary to detect a new influenza strain as early as possible.

In a variety of public warning contexts, citizens need to be given an accurate portrayal of risk that does not overstate the threat or provide false assurances of security. The U.S. Department of Health and Human Services recently undertook a number of communications efforts, including establishing an influenza pandemic Web site (www.pandemicflu.gov) and sponsoring national summits with the U.S. states. It also released a series of planning checklists for state and local governments, businesses, and community organizations.

Issues to be addressed include the extent to which information related to a possible influenza pandemic will be shared among international, federal, state, and local agencies and other organizations, as well as the ways the information will be used. Another issue to be addressed is the effectiveness of communication and information sharing between human and animal health systems, including laboratories.

Performance and Accountability

Several challenges are associated with national planning efforts. Without outcome-oriented goals and clear performance measures, it will be difficult for any nation’s Congress or Parliament, the federal government, and others to assess the overall ef-
fectiveness of preparedness efforts. Ensuring that agencies develop complementary goals and measures with others, as appropriate, will be important. Finally, internal controls and appropriate oversight mechanisms, such as controls to ensure the performance and accountability of grants and contracts, will be needed to track funds received and spent.

Going Forward: The Role of SAIs

In summary, just as a pandemic would cut across national borders, SAIs’ audit strategies should cut across jurisdictional boundaries. SAIs can collaborate in the following ways.

- They can work together to develop and apply consistent methodologies to assess national preparedness. This would help each individual country in its own efforts as well as provide a basis for independent comparisons across nations.

- They can engage in coordinated audits of key issues that cut across national boundaries.

- They can engage in joint audits of international preparedness and response efforts.

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The INTOSAI Development Initiative Celebrates Its 20th Anniversary

By Magnus Borge, IDI Director General

The INTOSAI Development Initiative (IDI) was established in April 1986 by the 12th INTOSAI Congress. On September 20, 2006, IDI celebrated its 20th anniversary with a symposium in Oslo. More than 40 representatives from supreme audit institutions, the Norwegian Parliament and government, and international donor agencies participated in the event, which highlighted the changing role of IDI over the past 20 years.

How IDI Was Created

IDI’s establishment at the 12th INCOSAI was the culmination of discussions within INTOSAI that had taken place since the late 1970s. Members had long argued that an international body was needed to promote the training of SAI staff; the centralization of instructor training and curriculum development were at the heart of the issue. IDI was to focus on training programs and activities, in particular training in the “basics” of accounting and auditing, while emphasizing the role of INTOSAI’s regional groups in actual course delivery. In fact, at the very earliest stage, a decision was made to provide training on a regional basis rather than expecting SAI staff to travel to a central IDI location for courses. IDI was also to serve as a clearinghouse for collecting and disseminating information, developing materials, and training trainers and training managers. Funding for IDI operations would be sought from national aid and development agencies.

Participants and instructors from ARABOSAI member SAIs took a break from the IT Audit Workshop in Algiers, Algeria, in November and December 2006 to visit the National Liberation Monument and Museum. The workshop was the final stage of the IT audit capacity-building program jointly carried out by ARABOSAI and IDI during 2005-2006.
IDI’s Early Years

At its inception, the IDI Secretariat was attached to the Office of the Auditor General of Canada. A Board of Directors was set up, headed by the Auditor General of Canada and the Comptroller General of the United States.

IDI began operating in 1987 with the delivery of its first training programs and the distribution of the first edition of the *International Directory of Audit Training Information*. IDI set up an advisory group composed of representatives from INTOSAI regions and other SAIs, thus setting the tone of close collaboration to determine training needs and to develop and deliver training programs on a regional or subregional basis.

During IDI’s first 10 years (1986-1995), the programs developed were typically technical training courses tailored to meet the specific needs of SAIs in different regions. The courses emphasized (1) enhancing the skills of audit practitioners in audit planning and supervision, computer auditing, and audit testing and (2) equipping the managers of training and personnel departments with new skills through management workshops and seminars.

The Changing Role of IDI

After 10 years, an INTOSAI-wide review of IDI programs and activities pointed to the need for a stronger emphasis on developing regional training infrastructures to ensure the sustainability and long-term viability of results achieved at the regional and local levels. IDI therefore developed and, in 1996, launched the Long Term Regional Training Program (LTRTP), which was to focus primarily on developing human and institutional resources at the regional level, with expected benefits also accruing to individual SAIs. The key objectives of these long-term programs were to help regional groups and member SAIs enhance their training capabilities and broaden the scope of their training and information exchange activities by establishing training infrastructures to ensure the sustainability and viability of regional training programs. Key elements of the LTRTP were establishing new regional training committees, developing regional operational training plans, establishing regional training guidelines, and forming a pool of graduate training specialists in each region that could assess and meet training needs by organizing relevant local and regional training activities.

The LTRTP was designed to foster regional groups and subgroups that could increasingly take responsibility for their own capacity building, from determining training needs to designing, developing, delivering, evaluating, and funding regional training programs. The IDI Secretariat would gradually play a less direct role in regional training. Instead, it would provide coordination and support; facilitate the exchange of methodologies and technologies; help identify human, material, and monetary resources; and provide guidance and advice.
The IDI Secretariat: from Canada to Norway

In 1998, the 16th INTOSAI Congress endorsed a proposal to transfer the IDI Secretariat from the SAI of Canada to the SAI of Norway at the beginning of 2001. It was felt that after 15 years, a change of leadership and venue would be beneficial to IDI and provide added incentives for new ideas and endeavors. The transfer progressed smoothly, and the new IDI Secretariat in Norway was initiated in 2001.

By 2003, the LTRTP had been delivered in all INTOSAI regions. Regional training committees were in place, regional training plans were being implemented, and each region had a pool of approximately 25 training specialists available to the region as a whole and to the individual SAIs. This freed the IDI Secretariat to concentrate on its new role.

A survey of SAIs in developing nations was conducted in 1999 and 2000, and that information was used to shape the IDI strategic plan for 2001-2006. The plan envisioned maintaining and further developing the regional training infrastructure and expanding programs into new areas, such as cooperating more systematically with INTOSAI standing committees and working groups and exploring e-learning as a new training vehicle for SAIs.

Following a broad-based, consultative planning process during 2004-2005, IDI developed a new long-term strategy for 2007-2012. This strategy reflects the emphasis in recent years on moving from simple classroom training to “training for impact” to ensure that training does not become an end in itself but rather a means to the end of strengthening the capability of target SAIs.
IDI’s new focus is also reflected in the INTOSAI strategic plan for 2005-2010, where the IDI is seen as an important partner in achieving strategic goal 2, institutional capacity building, rather than merely the training arm of INTOSAI.

The Future of IDI
IDI’s strategic plan for 2007-2012 seeks to further this strategic shift and uphold the excellent reputation that IDI enjoys in the INTOSAI community. At the same time, IDI will coordinate its efforts with the INTOSAI Capacity Building Committee and other INTOSAI entities to ensure synergy and avoid duplication of effort.

IDI’s Partnership with Stakeholders
A key factor in the success of the IDI concept has been the active input and valuable in-kind support received at every stage from INTOSAI members. Without the strong support from SAIs that have provided subject matter experts, hosted IDI workshops, or made their training specialists available for workshop design and delivery, IDI’s work would have ground to a halt.

Financial donors also provide crucial support to IDI. Without the approval of the Norwegian Parliament and financial support through the Ministry of Foreign Affairs and NORAD (the International Development Cooperation Agency), the Norwegian SAI could never have accepted the responsibility of hosting the IDI Secretariat. The direct financial contributions provided by multilateral donors and international development cooperation agencies from many countries have made it possible for IDI to deliver relevant and innovative capacity-building programs to SAIs of developing countries.

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Tenth ASOSAI Assembly and Third Symposium

By Helen H. Hsing, U.S. Government Accountability Office

The Asian Organization of Supreme Audit Institutions (ASOSAI) held its 10th Assembly and Third Symposium in Shanghai, China, September 10–16, 2006. Hosted by the China National Audit Office (CNAO), the assembly drew delegates from 40 member SAIs as well as observers from the INTOSAI Secretariat General, INTOSAI Development Initiative (IDI), this Journal, and the SAIs of the Côte d’Ivoire, the United Kingdom, and the United States of America.

Opening Ceremony

Li Jinhua, Auditor General of China, and Han Zheng, the Mayor of Shanghai, led the opening ceremony at the Shanghai International Convention Center and warmly welcomed the delegates. Chinese Premier Wen Jiabao sent the delegates a welcome and congratulatory message.

Guillermo N. Carague, head of the SAI of the Philippines and chairman of the ASOSAI Governing Board, thanked the board for its active participation during his tenure (2003–2006). He noted that ASOSAI’s membership had steadily increased, from 36 at the last assembly to 43 at this assembly, and welcomed the new members—Afghanistan, Bahrain, Cambodia, Georgia, Laos, Mauritius, and Qatar. Mr. Carague noted, “The stakeholders increasingly look towards the Supreme Audit Institutions to promote good governance, transparency, and accountability. It is with this objective of continuously enhancing the quality of public audit that we have joined together to form ASOSAI.”

Later in the proceedings, Mr. Carague handed over the chairmanship of ASOSAI to Li Jinhua. Mr. Li noted that during Mr. Carague’s tenure, ASOSAI sponsored many training and capacity-building activities and made substantive progress in promoting
ASOSAI’s development in the 21st century. He expressed his hope that ASOSAI members, working side by side, would continue to make progress in attaining the objectives specified in the ASOSAI charter.

ASOSAI Activities

Mr. Vijayendra Kaul, ASOSAI Secretary General, updated the delegates on the following activities since the last assembly:

- **ASOSAI Strategic Plan.** The 34th Governing Board approved the ASOSAI strategic plan (2005–2009). Mr. Kaul stated that “the plan recognizes that the adoption of the framework of the INTOSAI strategic plan 2005–2010 would facilitate both greater focus and synergies to optimize results.”

- **Capacity-building Activities.** Since the last assembly, ASOSAI organized nine training courses. ASOSAI also entered into a partnership with the Asian Development Bank (ADB) and IDI in 2005 to target capacity building in the SAIs of Afghanistan, Azerbaijan, Cambodia, Kazakhstan, Kyrgyzstan, Laos, Maldives, Mongolia, Myanmar, and Vietnam. In 2005, the Governing Board organized two additional seminars: Managing for Audit Results and Challenges to New Audit Frontiers—How to Develop and Manage Human Resources for Dealing with Emerging Audit Issues.

- **ASOSAI Research Project:** The seventh ASOSAI research project was completed. The SAI of India led the project, whose team members included the SAIs of Bangladesh, China, India, Malaysia, Pakistan, Philippines, and Yemen.

- **ASOSAI Journal:** The SAI of India converted the Journal into an e-journal starting with the 25th edition in October 2005 and redesigned the ASOSAI Web site.

Third Symposium’s Theme Presentations

The Third Symposium’s main theme was The Role of Auditing in Promoting Government Accountability. Mr. Cheng Siwei, Vice Chairman of the 10th National People’s Assembly Standing Committee, delivered the keynote speech, emphasizing that from the perspective of the management and use of public resources, government accountability should cover process as well as finances and performance. Mr. Micha Lindenstrauss, State Comptroller and Ombudsman of Israel, delivered a special report.

The INTOSAI Secretariat and the SAIs of Malaysia, New Zealand, Pakistan, and the United States presented papers for discussion. The following are highlights of their presentations.

INTOSAI’s Role in Promoting Accountability

Dr. Josef Moser, INTOSAI Secretary General, noted that “the global process of change that affects government audit presents special challenges for INTOSAI.” He used the
INTOSAI tsunami initiative to illustrate how INTOSAI is helping promote government accountability worldwide by spurring development of global rules of conduct for the use of public funds.

Malaysia’s Best Practices
Tan Sri Dato’ Setia Ambrin bin Buang, Auditor General of Malaysia, described the evolving role of the National Audit Department in promoting government accountability. He concluded that (1) better government accountability could be achieved by adhering to high moral values, (2) all parties need to pay due attention to and comply with procedural and legislated requirements, (3) responsibilities must be clearly defined and understood, and (4) measurability means greater transparency, integrity, and ultimately accountability.

Importance of Performance Information
Kevin Brady, Controller and Auditor-General of New Zealand, described his office’s broad legislative mandate, experience, and independence as well as its importance in promoting accountability. He stressed the importance of understanding the performance information process as part of the strategic and choice-making context. By thinking about the appropriateness of entities’ outputs, the targets, and the effect of entities’ efforts and achievements, performance planning and actual performance information form a relevant and necessary feedback loop.

Facilitating Foresight on Emerging Issues
David Walker, Comptroller General of the United States, suggested that SAIs should complement their traditional responsibilities by providing policymakers with foresight about key emerging issues. As an example, he cited GAO’s publication of an unprecedented report entitled *21st Century Challenges* that asks probing, and sometime provocative, questions about current government policies, programs, and operational practices.

New Global Paradigm
Muhammad Yunis Khan, Auditor General of Pakistan, discussed the three aspects of accountability: fiscal, managerial, and program. He stated that there are three global drivers of a paradigm shift—globalization, technical innovation, and customization. Mr. Khan noted, “Strategic alliances between SAIs in research, developing processes, and knowledge sharing will create a professional advantage, strengthening trust and enhancing credibility for SAIs with their stakeholders. In return, the stakeholders will benefit . . . at the international level.”

A lively and interactive discussion involving 20 countries or agencies followed the presentations. The discussion generally focused around five themes: (1) the importance of government accountability, (2) auditor relations with legislative bodies and the media, (3) auditor relations with auditees, (4) the importance of mutual cooperation, and
(5) auditors’ roles and capacities. Delegates had mixed views about the suggestion that SAIs develop better relations with legislative bodies, the public, and the press if they are to strengthen the effectiveness of the accountability system. Some delegates believed that the news media should function as the bridge between auditors and the public, supporting and complementing audit work. Others thought that auditors should limit themselves to giving the media confirmed facts about audit results. Some delegates believed that it would be beneficial for auditors to have a participative relationship with the auditee and that such a relationship is possible without jeopardizing the auditor’s independence and objectivity. Others believed that in promoting such relations with auditees, auditors risk becoming too involved in decision making relating to the auditee’s policies.

Participants agreed that the existing cooperation between ASOSAI and the INTOSAI Secretariat should continue and be strengthened. SAIs should also consider strengthening relations with each other and improving accountability and transparency across national borders. Dr. Anwar Nasution, Chairman of the Indonesian SAI, suggested that SAIs collaborate with each other to assess governmental efforts to prepare for the possibility of an avian influenza pandemic. Discussion also focused on the auditor’s ability to reach a larger audience with its reports and the need to focus on the auditor’s right to impose sanctions. There was also much discussion on the need to enhance both auditor training and the ability of audit institutions to promote government accountability.

**Election of New Members and Other Business**

The assembly approved the SAI of China as the incoming chairman. It also unanimously appointed Mr. Vijayendra Kaul to another term as ASOSAI’s Secretary General. The SAIs of Korea, Kuwait, Malaysia, Saudi Arabia, and Turkey were elected to the Governing Board. The SAIs of Jordan and Outer Mongolia were elected to the Audit Committee.

The Governing Board also approved the papers presented at the Third Symposium, the report of the ASOSAI Working Group on Environmental Auditing, and the report of the INTOSAI Professional Standards Committee meetings. It also approved the budget for 2006–2008.

Mr. Khan, Auditor General of Pakistan, invited participants to the 11th ASOSAI assembly, which will be held in Pakistan in 2009.

**Other Activities**

Throughout the conference, the Auditor General of China treated participants with warmth and hospitality. Mr. Li Jinhua hosted a banquet for delegates and invited guests at the Shanghai Convention Center; the banquet was followed by a performance of the Shanghai Acrobatic Troupe. The auditors general of the Philippines, India, and Pakistan also hosted dinners at different venues.
Delegates and invited guests had the opportunity to ride the magnetic levitation train from the Long Yang Subway Station to Pudong International Airport and back and also visited the Oriental Pearl Tower, where they were able to view Shanghai, have lunch, and learn about Shanghai's history at the City Museum. Guests also toured Shanghai's Museum of Art and Urban Museum. The Shanghai mayor, Mr. Han Zheng, hosted the closing banquet at the Shanghai Exhibition Hall. Delegates and invited guests were treated to a boat ride on the Huangpu River, where they viewed a beautiful fireworks display.

Information on the ASOSAI Assembly and Third Symposium is posted on the CNAO Web site. For additional information, contact the China National Audit Office:

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Audit Profile: Office of the National Public Auditor of the Federated States of Micronesia

By Moses Williams Russel, Office of the Public Auditor

The Federated States of Micronesia (FSM) is a grouping of 607 small islands in the Western Pacific about 2,500 miles southwest of Hawaii, just above the equator. While the country’s total land area amounts to only 270.8 square miles, it occupies more than 1 million square miles of the Pacific Ocean and stretches 1,700 miles from east to west. It is divided into four states (Kosrae, Chuuk, Pohnpei, and Yap), and its largest island is Pohnpei.

Background

In 1979, the FSM, a United Nations Trust Territory under the administration of the United States, adopted a constitution. In 1986, the FSM attained independence under a compact of free association with the United States, which was amended and renewed in 2004.

In 1979, the Office of the National Public Auditor was established under article XII, section 3, of the constitution of the FSM and title 55, chapter 5, of the FSM code. The office seeks to enhance governance, accountability, and performance in the public sector through the delivery of independent assurance and investigative services. Its mission is to create an environment in which reports on the office’s audits and investigations lead to improved government operations.

Legal Authority

The national public auditor is appointed by the president of the FSM with the advice and consent of Congress and serves for a term of 4 years. An individual may be reappointed for additional terms with the advice and consent of Congress. Congress may remove the public auditor from office for cause by a two-thirds vote. In the event of such a removal, the chief justice of the FSM Supreme Court appoints an acting public auditor until a successor is confirmed.

The public auditor is authorized by statute to evaluate the adequacy and effectiveness of management controls in accomplishing the national government’s policies, plans, and directives. To that end, members of the Office of the National Public Auditor are authorized to have full, free, and unrestricted access to all national government functions, records, property, and personnel. This authority extends to states and nonprofit organizations that receive funds from the national government.

The public auditor may choose to perform, or assist in performing, audits that are requested by statute. He or she has exclusive audit jurisdiction over public funds of the FSM national government. The public auditor may also, if funding is available, contract for independent auditing services to be performed under his or her supervision.
when specialized expertise is required or auditing requirements are beyond the capacity of the office's staff. The public auditor may subpoena persons to appear before him or her and question such persons, under oath, regarding the receipt and expenditure of money, as well as any other relevant matters.

**Duties**

It is the public auditor's duty to examine and inspect all books, records, files, papers, documents, and financial affairs of each branch, department, office, agency board, commission, bureau, and statutory authority of the national government and other public legal entities, including state and nonprofit organizations receiving funds from the national government.

The public auditor inspects and audits transactions, accounts, books, and other financial records associated with any project, program, or activity receiving funds in whole or in part from the national government's public funds.

The public auditor may audit the records of any contractor performing public work under a cost-reimbursement contract with the FSM to verify the fees assessed. Any contractor performing public work under such a contract must maintain the records necessary to establish the validity of costs charged to the national government.

The public auditor is also responsible for performing other audits specifically required by statute.

The public auditor must file a report at least annually with the Congress and may file other reports throughout the year at his or her discretion. All reports of the public auditor are to be made available to the public.

Along with his or her audit reports, the public auditor may submit recommendations on matters within his or her jurisdiction, including compliance or noncompliance with laws governing the expenditures of public moneys and the need for amendments or new laws to secure the efficient expenditure of public funds.

The public auditor must maintain a complete and accurate record of audit reports, inspections, investigations, releases, audit work papers, and other material pertaining to the office's work.

**Audit Reports**

As required by government auditing standards, the Office of the National Public Auditor prepares a written report for each audit performed. The report is issued to the target agency so that it may address the report's recommendations.

The reports generally include the audit's objectives, scope, and methodology; a statement that the audit was conducted in accordance with government auditing standards; findings; and recommendations for corrective action. Management's written response
to the draft audit findings is also included. All audit reports issued since fiscal year 2000 are posted on the office’s Web site, as are selected earlier reports. In rare cases, a report may not be posted for security or privacy reasons.

**Organizational Structure**

The Office of the National Public Auditor currently has 17 staff, including the national public auditor. Its administrative division has three staff (an administrative officer, a secretary, and a clerk). Its Audit Division has one audit manager, two audit supervisors and eight auditors, and its Compliance Investigation Division (CID) has three employees (a chief investigator and two staff).

**Peer Review**

The Office of the National Public Auditor is required to have a peer review at least every 3 years by a member of the Association of Pacific Islands Public Auditors. The Office of the National Public Auditor passed its last review in 2005. The review was performed by the Office of the Public Auditor, Republic of Palau; the Territorial Auditor of American Samoa; and a representative of the USDA Graduate School.

**Strategic Plan 2004-2007**

The office worked diligently to create a strategic plan for 2004-2007. This work gave the office a more comprehensive understanding of its environment, its stakeholders’ needs, and its current capability to respond to those needs. Based on this understanding, the office developed its strategies and actions for the next 3 years. Dr. Lowell Kuehn, a consultant from Pacific Northwest Consulting Services, facilitated a week-long strategic planning process in Pohnpei in February 2005. All staff of the Office of the National Public Auditor participated in the discussions. Dr. Kuehn also facilitated the development of strategic plans for the supreme audit institutions of the Mariana Islands and Guam.

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Reports in Print

SAIs routinely issue reports identifying best practices in a variety of areas, from risk management to procurement to program implementation. Below are some relevant best practices reports that SAIs have issued.

In June 2006, New Zealand’s Office of the Auditor-General (OAG) issued a best practices guide entitled Principles to Underpin Management by Public Entities of Funding to Non-Government Organisations (NGOs). The OAG published this report to guide public entities’ decisions when they enter into funding arrangements with NGOs. The report includes a discussion of four funding scenarios, such as a health sector contractual arrangement, to show how the principles might be applied. A copy of the report is available on the OAG Web site: www.oag.govt.nz.

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The Australia National Audit Office (ANAO) recently published a guide to demonstrate and explain best practices that organizations use in combating external fraud. The guide, entitled Good Practice in Tackling External Fraud, includes checklists to help public sector managers assess current antifraud practices and provides case studies to demonstrate the implementation of best practices. It covers three topics: understanding and managing the risks of external fraud; preventing and deterring external fraud; and detecting and investigating fraud and imposing sanctions.

In June 2006, the National Audit Office (NAO) of the United Kingdom unveiled its Efficiency Toolkit, a Web-based guide providing practical guidance on assessing a public sector organization’s efficiency. This toolkit guides users in assessing organizations in five areas: leadership, systems and operations, achievement, external drivers and constraints, and customer needs and demands. It contains detailed assessment materials as well as templates for recording, analyzing, and reporting findings.


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As part of its ongoing review of government agencies’ efforts to address human capital challenges, the U.S. Government Accountability Office (GAO) published a framework to serve as a flexible and useful guide to assessing how agencies plan, design, implement, and evaluate effective training and development programs that contribute to improved organizational performance and enhanced employee skills and competencies. Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government, published in 2004, summarizes attributes of effective training and development programs and presents related questions concerning the components of the training and development process. This guide is intended to help managers assess an agency’s training and development efforts and make it easier to determine what, where, and how improvements can be implemented. The report (GAO-04-546G) is available on the GAO Web site (www.gao.gov).

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Financial Audit Guidelines Subcommittee

First Practice Note Approved

The first practice note—on ISA 230: Audit Documentation—was approved by the Financial Audit Guidelines Subcommittee (FAS). This was the culmination of many years of hard work by the Project Secretariat and experts from the INTOSAI community. The practice note was also the first to be submitted for approval to the INTOSAI Governing Board in November 2006.

Subcommittee Meetings

On September 25–26, 2006, the International Auditing and Assurance Standards Board (IAASB) generously hosted an FAS meeting in New York. New subcommittee members from the SAIs of Brazil and South Korea participated in a meeting for the first time as did new representatives from the SAIs of the United States and the United Kingdom.

Participants discussed the practice notes to ISAs 230 and 240. In addition, the new work plan and timeline for the Authority and Scope of Financial Audit Guidelines, Terms of Reference for the Compliance Audit Reference Expert Group, were approved. Other important issues discussed were the issues paper from Practice Note Task Force 1 and the translation issue.

The FAS’s work is in an intensive phase, and all subcommittee members are very active. The Project Secretariat would like to thank the members for the significant amounts of time and knowledge they have invested in this project.

The next FAS meeting will be a telephone conference on January 22, 2007. The spring 2007 meeting will be hosted by the Canadian SAI in Ottawa on June 18–19, 2007.

Contributions of the Reference Panel

For the FAS Project Secretariat, the two reference panel meetings held in Stockholm in September 2006 resulted in valuable comments regarding the wording and format of the practice notes, the general section of the Financial Audit Guidelines, the Authority and Scope of Financial Audit Guidelines, and practice notes to ISAs 230 and 240. The input from that meeting led to relevant changes in the documents, which the FAS discussed several weeks later.

New Call for Experts

In November 2006, the FAS Project Secretariat sent out a letter to all INTOSAI members encouraging them either to confirm their present participation in the reference panel or to further contribute to the work by nominating new experts and back-office experts for the reference panel. SAIs were asked to respond by mid-January 2007. The results will be presented in the April 2007 Journal.
Timetable and Work Plan

At the FAS meeting in September 2006, a new timetable and work plan were adopted. The FAS’s new goal is to develop 14 practice notes to be endorsed by the next INCO-SAI in 2007. The overall goal for 2010—to have a complete set of guidance—remains.

The timetable, work plan, and appendixes will soon be available on the FAS Web site.

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Working Group on Environmental Auditing

Transition to a New Chair

The Office of the Auditor General of Canada is turning over the chairmanship of the Working Group on Environmental Auditing (WGEA) to a new SAI at the 19th INCOSAI in Mexico City in November 2007. The National Audit Office of Estonia, led by Auditor General Mihkel Oviir, has offered and made a firm commitment to be the WGEA’s next chair. The WGEA Steering Committee and the INTOSAI Governing Board have endorsed the Estonian SAI’s nomination. The Office of the Auditor General of Canada is fully committed to completing its mission as the current chair and ensuring an effective and supportive transition.

WGEA Launches New Web Pages on Auditing Waste and Water Issues

At the end of November 2006, the WGEA launched new Web pages on auditing waste and water issues. These pages, which reflect SAIs’ continued interest in these areas, provide information on how to audit issues related to waste, waste management, water, and water management and may be a useful starting point for SAIs planning related audits. They also provide links to presentations and papers on the latest auditing experiences, guidance papers, audit reports, international agreements, international organizations and Web sites, and examples of how policies and systems work in different countries. The pages can be found on the publications section of the WGEA Web site at www.environmental-auditing.org/intosai/wgea.nsf/viewhtml/waste_Omain.htm and www.environmental-auditing.org/intosai/wgea.nsf/viewhtml/water_Omain.htm.

The WGEA Secretariat would like to thank the SAIs of Norway and the Netherlands for providing the content for these pages.
WGEA Projects
The Office of the Auditor General of Canada hosted the fifth WGEA steering committee meeting in Vancouver, British Columbia, Canada, in September 2006. At this meeting, all WGEA projects under development were discussed and advanced. The following guidance papers on four of the projects are expected to be finalized and ready for distribution at 19th INCOSAI:

- moving towards auditing biodiversity (by the SAIs of Brazil and Canada),
- cooperation between SAIs on international audits: tips and examples (by the SAIs of the Netherlands and Poland),
- evolution and trends in environmental auditing (by the SAI of Canada), and
- reviewing the implementation of the World Summit on Sustainable Development commitments (by the SAI of the United Kingdom).


Upcoming WGEA Assembly Meeting
The 11th WGEA meeting will be hosted by the Office of the Controller and Auditor General of the United Republic of Tanzania during the week of June 25, 2007, in Arusha, Tanzania. The meeting will emphasize learning and exchanging experiences through

- presentations by renowned speakers from United Nations agencies and other international institutions;
- SAI-led workshops on climate change, biodiversity, waste and water management, cooperative audits, and effective methods for environmental audits;
- small group discussions on participants’ questions; and
- educational sessions on WGEA projects from the current work plan.

The meeting will also address WGEA business, including formal approvals of currently developed guidance documents and discussions of the 2008-2010 work plan. All WGEA members are encouraged to attend. Formal invitations were sent in December 2006.

Greenlines
Greenlines, the online newsletter of the WGEA, is celebrating its 10th anniversary. The current issue (volume 9, number 2, November 2006) has been posted on the WGEA website at www.environmental-auditing.org/intosai/wgea.nsf/viewContainerPub/eng06pub_greenv9n2nov.htm/$file/eng06pub_greenv9n2nov.htm.
This edition includes a feature story by the Ukrainian Accounting Chamber on its collaborative international audit efforts, news briefs from SAIs around the world, and news on important WGEA matters from the Secretariat.

The WGEA Secretariat would like to thank the SAI of the United States, which has assumed responsibility for producing *Greenlines* since 2005.

For additional information contact the WGEA:

E-mail: environmental.auditing@oag-bvg.gc.ca

Web site: www.environmental-auditing.org
New IDI Strategic Plan 2007-2012

The new IDI strategic plan for the next 6 years will take effect in January 2007. In response to the concerns expressed by stakeholders in a highly consultative planning process, the plan marks a strategic shift—from training to broader capacity development. A complete version of the plan is available on the IDI Web site: www idi no.

As a first step in implementing its new strategic plan, IDI plans to undertake a global institutional needs assessment in 2007. The IDI team will develop a needs assessment framework and the tools and instruments required to complete the assessment. The assessment will be carried out in at least three INTOSAI regions in 2007.

IDI/AFROSAI-E Quality Assurance Workshop

In August 2006, the courseware for a Workshop on Conducting Quality Assurance Reviews for Financial Audit was developed by a group of new training specialists in AFROSAI-E (African English-speaking SAIs) and a subject matter expert from the SAI of Zimbabwe. The 1-week workshop was delivered in Namibia in October 2006 to 30 auditors from the region. The goal of the workshop was to disseminate the AFROSAI-E quality assurance model and identify a regional pool of quality assurance reviewers for financial audit.

IDI/CREFIAF Redesign of Workshop on Performance Audit

In 2006, IDI conducted a Regional Workshop on Performance Auditing as a second phase of its Long Term Regional Training Programme in CREFIAF (African Sub-Saharan Francophone SAIs). Teams of auditors from selected SAIs were invited to attend this workshop. The course will be delivered a second time to give the remaining SAIs a chance to benefit from the program. A new group of training specialists gathered in Djibouti in October 2006 to prepare to deliver this second course, which will take place in Mali in February 2007.

IDI/ASOSAI Cooperation for Capacity Building

During the needs assessment programs conducted in October and November 2005, English- and Russian-speaking SAI participants expressed a need for capacity building in financial audit and detecting fraud and corruption. To address these priorities, a joint design meeting was held in Cambodia in November 2006 for English- and Russian-speaking instructor teams. Courseware for both areas was developed in English for the SAIs of Afghanistan, Cambodia, Laos, Maldives, Myanmar, and Vietnam and in Russian for the SAIs of Azerbaijan, Kazakhstan, Kyrgyzstan, and Mongolia. ASOSAI will manage the delivery of the workshops in 2007.
IDI/ARABOSAI Capacity-building Program in IT Auditing
As the final activity of this IDI/ARABOSAI program, a 2-week IT Audit Workshop was delivered to 30 participants from 11 countries in November/December 2006. The original English course material was translated into Arabic and revised to include case studies and exercises derived from four pilot audits conducted earlier in the program.

IDI and Liaison with the INTOSAI Community
IDI representatives have attended and reported at the following events in recent months: the CAROSAI Congress and Master Classes (Bahamas), the INTOSAI Governing Board Meeting (Mexico), the OLACEFS General Assembly (Ecuador), and the Cooperation and Technical Update Workshop for AFROSAI-E (South Africa).

Contacting IDI
To discuss any of the issues raised in this edition of the IDI Update, contact IDI:

    Telephone: ++47 21 54 08 10
    E-mail: idilidi.no
    Web site: www idi.no
### INTOSAI 2007 Events

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<tr>
<th>January</th>
<th>February</th>
<th>March</th>
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<tr>
<td>15–17</td>
<td>11–14</td>
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<tr>
<td>Subcommittee on Internal Control Standards meeting, Muscat, Oman</td>
<td>Working Group on Environmental Auditing Steering Committee meeting, Cape Town, South Africa</td>
<td>IT Committee Seminar on Performance Auditing, Muscat, Oman</td>
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<td>22</td>
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<td>Financial Audit Guidelines Subcommittee telephone conference</td>
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<td>IT Committee meeting, Muscat, Oman</td>
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<th>April</th>
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<td>10–13</td>
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<td>Committee on Experts on Public Administration meeting, U.N. Economic and Social Council, New York, United States</td>
<td>V EUROSAI/OLACEFS Seminar, Lisbon, Portugal</td>
<td>Financial Audit Guidelines Subcommittee meeting, Ottawa, Canada</td>
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<tr>
<td>23–24</td>
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<tr>
<td>Professional Standards Committee Steering Committee meeting, Bahrain</td>
<td>ARABOSAI Congress, Yemen</td>
<td>11th Working Group on Environmental Auditing Assembly, Arusha, Tanzania</td>
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<td>23–25</td>
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<td>5th meeting of the Task Force on the Audit of International Institutions, Budapest, Hungary</td>
<td>Financial Audit Guidelines Subcommittee telephone conference</td>
<td>Public Debt Committee meeting, Lisbon, Portugal</td>
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<td>Financial Audit Guidelines Subcommittee meeting, Canada</td>
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<th>July</th>
<th>August</th>
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<td>10</td>
<td>23–27</td>
<td>10–14</td>
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<tr>
<td>Financial Audit Guidelines Subcommittee telephone conference</td>
<td>Financial Audit Guidelines Subcommittee meeting, Stockholm, Sweden</td>
<td>32nd EUROSAI Governing Board meeting, Switzerland</td>
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<th>October</th>
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<th>December</th>
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<tr>
<td>17th OLACEFS Governing Board meeting, Dominican Republic</td>
<td>19th INCOSAI and 56th and 57th INTOSAI Governing Board meetings, Mexico City, Mexico</td>
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TBD = To be determined

**Editor’s Note:** This calendar is published in support of INTOSAI’s communications strategy and as a way of helping INTOSAI members plan and coordinate schedules. Included in this regular Journal feature will be INTOSAI-wide events and regionwide events such as congresses, general assemblies, and board meetings. Because of limited space, the many training courses and other professional meetings offered by the regions cannot be included. For additional information, contact the Secretary General of each regional working group.