Congress Themes and the Budapest Accords
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**Background**

Supreme Audit Institutions must join their forces and continually strive to meet the challenges posed by an ever-changing world in order to increase effectiveness. This also embraces the issues of
- what are the possibilities for bilateral and multilateral cooperation among Supreme Audit Institutions (Theme I of the Congress); and
- how to coordinate audit efforts between national, regional, local and self-governing bodies (Theme II of the Congress).

Theme I provided a timely opportunity for SAIs to draw on their experiences of working together and to identify how to further strengthen bilateral and multilateral links in order to promote capacity building and knowledge sharing as well as in order to contribute to good governance.

Discussions on Theme II were to foster mutual trust and respect between independent public audit organizations in a federal state, so as to better coordinate audit efforts, which means to find effective ways to work together in fulfilling respective mandates. Global trends (such as globalization, greater attention to governance, regionalization) require even more interest in coordinating audit efforts.

The adoption of the “Budapest Accords” at the XVIII INCOSAI demonstrated that INTOSAI members are prepared to meet the challenges of the 21st century. The Accords summarize the theme issues discussed, conclusions reached, and recommendations approved during the Congress.

**The Congress Themes**

At its 50th meeting on October 16, 2002 in Vienna (Austria), the Governing Board approved “The possibilities for bilateral and multilateral cooperation among Supreme Audit Institutions” and “Coordination of audit efforts between national, regional, local and self-governing bodies” as Congress Themes I and II.

The Governing Board also selected the National Audit Office of the United Kingdom and the Office of the Auditor General of Canada to write the principal and discussion papers for Theme I and Theme II respectively. In addition, other SAIs were appointed to oversee theme preparations and/or guide theme discussions at the Congress. These SAIs were chosen based on their knowledge of and expressed interest in the particular subject matter. The themes and theme officers responsible were as follows:

**Theme I: “The possibilities for bilateral and multilateral cooperation among Supreme Audit Institutions”**

- Chair: United Kingdom
- Vice-Chair: Bhutan
- Moderator: Austria and Mexico
- Rapporteurs: Czech Republic and South Africa
- Alternates: Cuba and Ghana
- Technical Liaison: Hungary

**Theme II: “Coordination of audit efforts between national, regional, local and self-governing bodies”**

- Chair: Canada
- Vice-Chair: Tunisia
- Moderator: Fiji and Switzerland
- Rapporteurs: New Zealand and Peru
- Alternates: Burkina Faso and Cameroon
- Technical Liaison: Hungary

**Preparing for the Congress**

Themes I and II principal papers had been prepared by the Theme Chairs (the United Kingdom and Canada respectively) by April 2003. These documents were then translated into the official working languages of INTOSAI, and sent to INTOSAI members by 1 June, 2003 with an invitation to submit country papers on their related experiences, problems and detected difficulties. The country papers were received by the prescribed submission deadline (1 August, 2004). Forty-nine Supreme Audit Institutions, representing every INTOSAI region, responded to questions raised in the principal paper by the United Kingdom (Theme I.) While in respect of the principal paper prepared by Canada (Theme II.), 40 SAIs forwarded its contribution. Twenty-nine out of the 40 SAIs indicated that they have had some experience coordinating audits. At the same time, the responses of the remaining 11 SAIs demonstrated that they have had little or no experience in audit coordination though they indeed had considerable interest in doing so.

During its 51st meeting in October, 2003, the Governing Board approved the “Proposed Rules of Procedures for XVIII INCOSAI”, which explained theme discussions, the roles and responsibilities of...
theme officers as well as other arrangements for the Congress. In respect of the organization of the XVIII INCOSAI, the Board also decided to:
- involve representatives of the World Bank in the discussions on Theme I;
- invite guests speakers when discussing Theme II in order to foster the exchange of experiences; and
- include the INTOSAI Strategic Plan for the period 2005 – 2010 (elaborated by the Strategic Planning Task Force set up at the XVII INCOSAI)
  – besides the two main themes – in the “Budapest Accords” being the final document of the Congress.

By September 2004, preparations for theme deliberations during the Congress were almost complete. The preparations included:
- the Theme Chairs preparing discussion papers based on major points raised in the principal and country papers;
- the Congress Secretariat publishing the discussion papers in all five official working languages of INTOSAI, and distributing them to INTOSAI member SAIs and other parties invited to attend the Congress;
- the Strategic Planning Task Force preparing the INTOSAI Strategic Plan for the period 2005 – 2010;
- the Theme Chairs – in close cooperation with the Government Accountability Office of the United States, the INTOSAI General Secretariat, and the host of the XVIII INCOSAI – preparing the draft of the “Budapest Accords”;
- the Congress home page (www.incosai2004.hu) posting all principal and discussion papers as well as other relevant documents for an easy access for the Congress participants; and
- the Congress Secretariat providing theme officers with excerpts from the “Rules of Procedure” and other information to help them prepare for theme activities during the Congress.

Preparations for theme deliberations continued until just before theme discussions began at the Congress on Tuesday, October 12. The Strategic Planning Task Force convened on Saturday, October 9 to discuss the INTOSAI Strategic Plan related issues to be presented for approval by the Congress. In the afternoon of Monday, October 11, delegates serving as theme officers held a meeting to discuss their roles and responsibilities and clarify the procedures to be followed in preparing the summaries for theme plenary sessions.

**Theme Deliberations During the Congress**

The theme deliberations during the XVIII INCOSAI took into account the valuable contributions of the documents prepared and suggestions made prior to the Congress on Themes I and II as well as on the INTOSAI Strategic Plan for the years of 2005 – 2010. These documents and suggestions were considered in theme plenary meetings and discussion groups conducted under the excellent leadership of the theme officers during the Congress.

The Theme I and Theme II Plenary Sessions (Tuesday, October 12 and Wednesday, October 13 respectively) were followed by discussions in two groups (for each of the two themes) running concurrently, which allowed delegates to select the session they wanted to attend. Group discussions for both themes were offered in English and all-language sessions. Theme officers met after the group discussions to summarize the results for the purposes of presenting them on Theme I and Theme II Closing Plenary Sessions on Friday, October 15.

Final summary reports were translated into the five official working languages of INTOSAI and distributed to participants before the Second General Plenary Session.

During the Second General Plenary Session on Saturday, October 16 delegates discussed the final summary reports and the Congress approved – unanimously and by acclamation – the final results of the theme discussions as well as the INTOSAI Strategic Plan for the years of 2005 – 2010 as presented, and declared them the “Budapest Accords”.
Theme I Plenary Sessions

The Possibilities for Bilateral and Multilateral Cooperation among SAIs
Sir John Bourn KCB
Comptroller and Auditor General of the United Kingdom

Theme II Plenary Sessions
Budapest Accords
Preamble

We live today in a truly interconnected world. The XVIII Congress of INTOSAI provided the forum for Supreme Audit Institutions (SAIs) to consider their response to the many faceted challenges of the 21st century. This embraces how INTOSAI can contribute to cooperation amongst SAIs to promote capacity building and knowledge sharing and contribute to good governance. It embraces technical issues such as the development of the professional standards that SAIs should work to develop and adopt; how to respond to the challenges of the IT revolution; and how SAIs can contribute to meeting the threats posed to society, for example, by money laundering, fraud and corruption.

Now that INTOSAI has celebrated its 50th anniversary the organization has adopted a strategic plan to guide its operations in the years ahead. Recognizing that INTOSAI has accomplished much since its creation in 1953, the strategic plan seeks to build on past successes while positioning the organization to meet the challenges of the future. Continuous improvement is the hallmark of any world-class entity, and this plan is a further step toward making INTOSAI a model among international institutions.

Central to INTOSAI’s collective response to the emerging challenges of the 21st century, Themes I and II of the Congress focused on how SAIs can work together and with other audit institutions in their national jurisdictions so that all SAIs have the capacity to discharge their functions and responsibilities as effectively and efficiently as possible.

The XVIII Congress of INTOSAI:

- Reaffirms that the active cooperation and sharing of knowledge across the worldwide community of SAIs is a fundamental feature of INTOSAI’s mission that “mutual experience benefits all”.

- Recognises the importance of the existing and continuing work of INTOSAI’s regional working groups, committees and working groups, the Secretary General, the Journal and the INTOSAI Development Initiative (IDI) and their contribution to the development and adoption of professional standards, the sharing of knowledge and the development of institutional capacity in individual member SAIs.

- Reaffirms the importance of the informal and formal links established across the INTOSAI community and enabled by the wide variety of INTOSAI activities and events promoted therein.

- Recognizes that all SAIs have a continuing interest in reviewing the capacity of their institutions to meet the challenges posed for public sector audit in the 21st century and should lead by example in the manner in which they are managed and run.

- Notes the extensive growth in cooperation and coordination activities reflected in the discussions under Themes I and II of the Congress.

- Considers that more work is required to enhance the capacity of individual SAIs, particularly those in transitional or developing countries.

Adopts the following accords

The INTOSAI strategic plan 2005 - 2010

Background

1. At the XVII INCOSAI the Congress endorsed the creation of a task force of the Governing Board to consider and prepare a strategic plan for INTOSAI. The task force, working in line with a program agreed by the Governing Board and with an extensive range of consultation involving all the membership presented the plan for endorsement by the Governing Board at an extraordinary Governing Board meeting in Vienna in June 2004 and the plan as endorsed by the Board was presented for approval by the Congress.

The establishment of four main strategic goals for INTOSAI

2. The plan proposes three primary mission-related goals for INTOSAI. The first goal is to promote strong, independent, and multidisciplinary SAIs and to develop and adopt effective professional standards. The second is to build the professional capabilities and capacities of SAIs through training, technical assistance, and other development activities. The third is to promote SAI cooperation, collaboration, and continuous improvement through knowledge sharing, including benchmarking, best practice studies, and research.

3. Given the nature of its membership, INTOSAI believes that it is essential to lead by example. This includes ensuring the economy, efficiency and effectiveness of its own operations and living within its budget. As a result, the strategic plan also proposes a fourth goal for INTOSAI: to become a model international organization.
4. INTOSAI’s strategic plan is evolutionary rather than revolutionary. INTOSAI is seeking to chart a course for its future that builds on the successes of its past and to position INTOSAI to reach new heights. Careful consideration has been given to what has worked, what could be improved, and what changes are needed to help members cope with the increasing demands and expectations facing SAIs in the 21st century. All members are invited to implement the strategic plan within the limits of their specific mandates and authorities and according to considerations of national sovereignty.

5. At this juncture in INTOSAI’s history, it is appropriate to emphasize all INTOSAI members’ appreciation and gratitude for the immense contribution of the President and staff of the Austrian Court of Audit for their long-term and continuing role as hosts of the General Secretariat and to the effective functioning of INTOSAI.

6. In summary, the strategic plan includes an updated mission statement, a vision for the Organization, four strategic goals, and several core values to guide the Organization’s efforts in the future. Recognizing that INTOSAI has accomplished much since its creation in 1953, the strategic plan seeks to build on those past successes while positioning the organization to meet new challenges. Continuous improvement is the hallmark of any world class entity, and this plan is a further step toward making INTOSAI a model among international institutions.

7. Whereas Goals 1, 2, and 3 apply to specific areas of INTOSAI’s operations, Goal 4 is intended to align the whole of INTOSAI’s organization and operations to the achievement of these goals. While Goal 4 is fundamentally different from Goals 1, 2, and 3 in this regard, the guiding principles that provide a foundation for Goal 4 strategies are essential to the achievement of these goals. These are:
   • There should be a clear focus on the agreed-upon set of strategic goals in all of INTOSAI’s work.
   • INTOSAI should adopt organizational and administrative practices that encourage the widest possible involvement of member SAIs in its work.
   • INTOSAI should have decision-making structures that balance timeliness with the importance of ensuring that key decisions have the broad-based support of INTOSAI’s membership.
   • There should be a more active engagement by the Governing Board and stronger links among the Governing Board and the committees, working groups and task forces created to carry forward INTOSAI’s work.

   • INTOSAI should be financed in ways to ensure that it is living within its budget and to promote the effective implementation of this plan and the continued viability of the organization.
   • The General Secretariat’s capacity to support the membership and the Board in implementing the strategic plan should be enhanced.

Recommendations

8. The INTOSAI strategic plan will only be realized with the full and active support of all the members of INTOSAI. In this regard the Congress calls on all the members to take note of the plan and to work towards the implementation of the proposed strategies within the limits of their specific mandates and authorities.

9. In taking forward the strategic plan and in dealing with additional issues that arise the Congress mandates the Governing Board to pay full regard to the guiding principles adopted under Goal 4 of the plan.

The Congress Themes

10. Cooperation is the cornerstone of the development and common well-being in the world. It is by working together that we create stronger societies, reinforce common core values, promote our cultural identities and share knowledge.

11. The early years of the 21st Century see a world of increasing inter-dependency and harmonization where Governments are working more closely together. In such circumstances no SAI is an island. In countries with a federal structure, there is growing recognition of the advantages of strengthening cooperative and collaborative approaches across different levels of government. At the same time, other countries are seeking to create more effective governance at the local and regional level, by enhancing democratic decision making often through major programs of devolution or decentralization. This process may or may not lead to the creation of new audit institutions operating at a local or regional level. But even where an SAI retains responsibility for the audit of devolved government institutions the decentralization process will inevitably change the dynamics of the relationship between the SAI and its regional and local audited bodies.

12. In this environment many SAIs are encouraged to deepen their cooperation if they are to influence these developments both internationally and within their own national boundaries.
13. For over fifty years INTOSAI has provided an international forum, which has promoted the benefits of freely sharing ideas, practices and experience in fulfilling its aim that “mutual experience benefits all”. It is appropriate therefore for INTOSAI to review its program of bilateral and multilateral cooperation and to discuss how these same principles might be applied by its members to the myriad audit arrangements that exist within each country.

14. Theme I of the Congress, “The possibilities for bilateral and multilateral cooperation among Supreme Audit Institutions”, provides a timely opportunity for SAIs to draw on their experiences of working together and to identify how to further strengthen bilateral and multilateral links so that the SAI community plays an ever more vital role in improving public governance and financial management.

15. Theme II of the Congress “The coordination of audit efforts among national, regional, local and self-governing bodies” provided SAIs with a platform to share experiences in coordinating their activities with regional, local and often autonomous audit bodies that may exist or have been recently created following a process of decentralization.

16. There are clearly lessons to be learnt from the ways that SAIs have worked with each other and with other audit institutions in their own countries.

17. The Congress considered the issues arising under Themes I and II by means of a full plenary session and two concurrent discussion groups. This was followed by a further plenary session to consider and agree the detailed conclusions and recommendations arising.

**Theme I**

The possibilities for bilateral and multilateral cooperation among Supreme Audit Institutions

**Background**

18. Recent years have seen a substantial growth in cooperation among Supreme Audit Institutions (SAIs). Much of it encouraged by INTOSAI through its Congresses, standing committees, working groups, meetings and seminars and, more recently, through its support for the INTOSAI Development Initiative (IDI). However, much also has been the result of bilateral and regional initiatives begun by SAIs putting into practice the INTOSAI motto “mutual experience benefits all”.

19. Overall, 50 SAIs representing every INTOSAI region responded to questions raised in the principal paper by the United Kingdom. These individual papers provide an eloquent testimony to the extent of cooperation currently underway among INTOSAI members but also a plea for members to do more to assist SAIs that experience more difficult circumstances.

**Discussion results**

20. In introducing Theme I, the Chair emphasized the considerable and real achievements already secured through the work of INTOSAI, its regional institutions and its committees and working groups. There was a broad measure of agreement that SAIs cooperate for four main reasons: to promote accountability and governance in relation to international treaties and projects; to promote good practice; to promote the development and harmonization of accounting and auditing standards; and to support institutional capacity building. In each of these areas considerable progress had been made but it was also clear that there is a desire for INTOSAI to do more in some areas.

21. The keynote address on Theme I from the World Bank underlined the considerable challenges facing the world community and the important role played by INTOSAI in promoting an environment where all SAIs can share in the considerable knowledge and experience available across the SAI community as a whole. The Bank had recently approved an internal strategy which recognizes the fundamental role SAIs have in promoting good governance and financial management in their national administrations and which seeks to ensure that SAIs receive appropriate support in fulfilling their mission.

There are close links between Theme I and the activities proposed in the strategic plan. The plan contains a range of actions, which reinforce the mechanisms whereby SAIs work together to promote best practice, develop professional standards and facilitate institutional capacity building.

22. Delegates considered what more could be done in the area of cooperation to promote best practice to make explicit the implicit knowledge which arises from the myriad formal and informal networks and contacts which exist within the SAI community. The suggestions made include encouraging SAIs to make full use of the INTOSAI Journal and INTOSAI’s web sites as a means of capturing and disseminating knowledge and enhancing the way INTOSAI uses IT for knowledge sharing.
Cooperation to promote accountability would benefit from a clear framework for sharing information on the different types of cooperation amongst SAIs and action to facilitate more cooperative work.

23. The common framework utilized in both the Theme I and Theme II discussion papers whereby such cooperation was classified under the four headings of Advisory, Reliance, Concurrent and Joint Audit, was considered to be an appropriate way of clarifying the nature and purpose of the work undertaken as well as a good means of identifying which work might prove of interest to other SAIs and more widely in a national context. There may be scope for more cooperative work but examples of fully joint audit work were rare and there were a variety of constraints which inhibited joint audits. Suggestions to facilitate such work included the adoption of a standard way of classifying cooperative work, a greater sharing of experiences, perhaps by utilizing the INTOSAI web pages and those of individual SAIs. It was noted that adoption of new methods alone does not guarantee success.

24. It was suggested that INTOSAI should develop a basic methodology and standards for undertaking performance audits. This could encompass the necessary principles and criteria required to perform this type of work and the methods, training and skills required of SAI staff.

There is a considerable volume of work underway across INTOSAI that encourages cooperation to promote institutional capacity building and a proposed new committee to take this work forward.

25. The INTOSAI strategic plan recognizes that institutional capacity building has been a major priority of INTOSAI since its creation in 1953 but that no single committee had been tasked to consider higher level best practice issues concerning both recipients and providers of institutional capacity building work. The plan includes the possible creation of a committee or task force to address institutional capacity building but recognized that the issue would be discussed under Theme I of the Congress as one of the main drivers of cooperation amongst SAIs.

26. Delegates highlighted the wide range and considerable volume of cooperative work to support institutional capacity building as well as the benefits of peer reviews by other SAIs to enhance credibility and help SAIs lead by example.

A number of SAIs had either recently undergone a peer review or were actively preparing to undertake one in the near future, while a larger number of SAIs in transitional and developing countries had experience of major technical cooperation projects, most involving other SAIs directly as long-term providers of technical advice and support. Such activities were particularly prevalent in Europe, where the European Commission had funded a range of “twinning” projects, which had fostered institutional partnerships to support SAIs in the process of accession to the European Union.

27. In the field of training, IDI’s work has led to the development of longer-term regional training programs in INTOSAI’s regions and the creation of a series of satellite and partnership programs where a number of SAIs were working actively with regional training committees to support both training and institutional capacity building initiatives. The IDI is also working closely with a number of INTOSAI’s committees and working groups to develop a new range of training courses in issues of relevance to the SAI community.

28. Looking to the future, IDI will continue to focus its work at the regional level where it is important to build on the highly successful regional training structures established over many years. Within regions, IDI will seek out further opportunities to bring together SAIs facing common development training and capacity building challenges. IDI also envisages a greater focus on activities which support the wider institutional capacity building initiatives underway in many SAIs. As noted in the Strategic plan, the further development of IDI and its relationship with INTOSAI is an important matter. Under Goal 2 of the strategic plan there is a proposed strategy to identify ways through which IDI will formally become an integral part of INTOSAI. There may be different models to consider and integration may need to take place over a period of time. However this was a matter that needed to be addressed with some urgency.

29. The secondment of staff between SAIs was also seen as beneficial but posed problems in terms of ensuring that such benefits were evenly distributed between the secondee’s host and home SAIs and ensuring that such secondments did not contravene legal and regulatory requirements. Suggestions for making secondments more effective included: providing clear information on which SAIs would welcome such staff exchanges; greater openness about key factors such as language or technical skills which are needed to make the secondment effective in hosting institutions;
and active sharing of skills and knowledge learned during secondments when the secondee returns to the home SAI.

Delegates emphasized a number of factors, which should be taken into account in framing INTOSAI’s future co-operative work.

30. In looking to the future delegates considered how the momentum on multilateral and bilateral cooperation could be maintained and enhanced under all three of the goals identified in the strategic plan, and specifically through the work of the possible institutional capacity building committee or task force. The discussion focused on a list of proposed actions that could be taken forward by SAIs individually or through INTOSAI and its various organs. Delegates drew attention to the following factors.

• Wherever possible co-operative work should be taken forward through INTOSAI’s existing committees and working groups, who should be encouraged to include in their work programs, actions relating to the enhancement of SAIs institutional capacities. The focus should be more on practical implementation rather than theoretical issues with clearly established milestones and timetables where appropriate.

• Full use should be made of the INTOSAI Journal and the existing web sites for the dissemination of findings. Some members also felt that there may be scope for establishing a common communication plan to ensure that INTOSAI products are appropriately targeted and disseminated. Others suggested there may be benefits in integrating or linking all relevant web-sites with the main INTOSAI web-site.

• Successful cooperation amongst SAIs is wholly dependent on the willingness and ability of each SAI to work in an open and collaborative manner with colleagues. This must in all cases be compatible with the legal mandate of the SAIs concerned, particularly as regards the financing of cooperative work. Such cooperation will require a sound understanding of linguistic and cultural differences, different jurisdictional and legal arrangements, and the construction of robust partnerships for the longer term.

• The membership of any possible institutional capacity building committee or task force should reflect INTOSAI’s regional groups, the main types of SAIs and the different needs of developed and developing countries.

• The proposed committee or task force should work closely with other INTOSAI organs and focus initially on the collection of information on institutional capacity building activities and the development of best practice guidelines. And an important component of this would be to strengthen the links between the regional groups and INTOSAI at the international level.

• The proposed committee or task force, in developing longer-term institutional capacity building strategies, should work closely with:
  - the Governing Board and its Finance and Administration Committee;
  - the Secretary General and the proposed Director of Strategic Planning;
  - INTOSAI committees, working groups and task forces;
  - the regional working groups and their training and institutional strengthening committees; and
  - the IDI and the INTOSAI Journal.

• It is essential that the professional, independent, non-political and non-partisan nature of INTOSAI is maintained in any contacts with major development banks and multilateral donor institutions.

Recommendations

On cooperation between SAIs

31. Where SAIs undertake joint or concurrent audits, the Congress commends the use of the principles for coordinating audits proposed under Theme II, where it would be appropriate to do so.

On knowledge sharing and professional standards

32. The Secretary General should review whether the main INTOSAI web-site is in need of updating to provide: more information on INTOSAI’s activities and outputs; better integration of INTOSAI committee sites; and best practice guidelines on web-site layout for the use by all hosts of INTOSAI web-sites.

33. The INTOSAI Journal should consider the scope for better dissemination of members’ experiences of bilateral and multilateral cooperation.
34. INTOSAI’s regional groups, committees and working groups should examine the effectiveness with which they disseminate their findings; including elaborating communication plans when new products are planned.

35. All SAIs should continue to work towards a more effective sharing of knowledge:
   • through their active involvement in INTOSAI’s regional groups, committees and working groups;
   • by the promotion of joint and co-operative audit work wherever appropriate and beneficial; and
   • through the wider dissemination of audit standards, methodologies and best practices.

On institutional capacity building

36. That INTOSAI’s regional groups, committees and working groups should address the capacity building needs of the membership in formulating their future programs of work. The focus should be more on practical implementation rather than theoretical issues with clearly established milestones and timetables where appropriate.

37. All SAIs should continue to find ways to work with other SAIs to enhance their institutional capacity building, reinforcing the benefits of longer term bilateral partnerships

38. Further actions on the issues arising from Theme I will rest with the Governing Board as it implements the strategic plan including their consideration of the proposed capacity building committee. The Congress invites the Governing Board to take into account:
   • The importance and urgency of ensuring that IDI becomes, formally, an integral part of INTOSAI, in line with the approved strategic plan.
   • The need to develop a more coordinated approach to relations with multilateral development agencies and international development banks at a very high organizational level, and in ways that are more strategic and integrated while protecting the independence of INTOSAI and the autonomy of its regional working groups.
   • The importance of ensuring that the membership of any possible committee or task force reflects the regional diversity of INTOSAI and the very different needs of the different types of SAIs as well as the needs of both developed and developing countries, while also being sensitive to any potential conflicts of interest.

39. The terms of reference of the proposed committee should encompass:
   • A requirement that the committee works closely with
      - the Governing Board and its Finance and Administration Committee;
      - the Secretary General and the proposed Director of Strategic Planning;
      - INTOSAI committees, working groups and task forces;
      - the regional working groups and their training and institutional strengthening committees; and
      - the IDI and the INTOSAI Journal. to promote the development of longer term strategies for addressing the institutional capacity building needs of SAIs.
   • The preparation of good practice guidelines on institutional capacity building, including generic guidelines on the scope and conduct of voluntary peer reviews, for adoption by the XIX Congress in 2007.
   • The collection and dissemination of information on past, current and prospective institutional capacity building activities undertaken by INTOSAI members and the promotion of innovation.

Theme II
Coordination of audit efforts among National, Regional and Local and Self-Governing Bodies

Background

40. In introducing Theme II, the Theme chair emphasized that the coordination of audit effort within countries is an important issue and will be more so in the future. INTOSAI is right to be holding this discussion now. National, regional and local jurisdictions deliver many services that are important to citizens. There is more devolution and more joint delivery of services between national, regional and local governments. It is essential to foster mutual trust and respect between independent public audit offices, so as to better coordinate audit efforts. It is also essential that the independence of these offices is preserved. In Canada, for example, in addition to the SAI, there are independent public audit offices in each of the 10 provinces. This coordination does not imply any lessening of the mandate or authorities of the audit offices. The Theme Chair emphasized that coordination among audit offices consists of finding effective ways to work together in carrying out their respective mandates.
41. The Theme Chair introduced the Hon. Robert Rae, former Premier of the Province of Ontario, Canada, and Mr. Jon Singleton, Auditor General of the Canadian Province of Manitoba. Mr. Rae’s remarks addressed the importance of global trends in relation to Theme II. These trends will require more attention to coordinated audits. They include globalization, greater attention to governance, and regionalization. Globalization heightens the need for common auditing and accounting standards, while governance concerns relate to matters such as respect for the rule of law and ensuring transparency. Strengthened regional government is becoming quite prominent in many countries and will create both the opportunity and the need for coordinated audit. Mr. Singleton illustrated the benefits of coordination between autonomous audit offices within a country, as well as the role of a national forum, which brings them together, by drawing upon Canadian experience.

42. The opportunities and problems in auditing public activities and expenditures are a major interest of INTOSAI; they implicitly form part of “knowledge sharing and knowledge services,” the proposed strategic goal 3 of INTOSAI to encourage SAI cooperation, collaboration, and continuous improvement through knowledge sharing, including benchmarking, best practice studies, and issues of mutual interest and concern. Although knowledge sharing is not without its costs, it can help avoid duplication of effort.

43. To address Theme II, the SAI of Canada prepared a paper setting out a framework for obtaining information on the coordination of audits by the SAI and other auditing bodies within a country. Of the 40 SAIs that responded to the Canada paper, 29 indicated that they have had some experience in coordinating audits; their responses provide a good basis for identifying some lessons learned. At the same time, the 11 other responses by SAIs with little or no experience in audit coordination, demonstrate a considerable interest in doing so.

44. The responses show that the scope and extent of audit coordination varies widely by country. In some countries, there are many autonomous bodies with which the SAI can coordinate its audit work; in others there are few if any such autonomous bodies. In some countries, governments are required by legislation to coordinate with other autonomous bodies; in others, legislation restricts coordination. And in still others, legislation restricts coordination with some autonomous bodies but not with others.

**Discussion results**

45. Members had a lively discussion of the issues raised in the Theme II Principal Paper. The discussions generally supported the main points in the paper. The key discussion points were the following.

**Most SAIs support the need for greater coordination of audit efforts undertaken by autonomous audit bodies in their country.**

46. There is a wide range of experience in this area. A number of SAIs have undertaken one or more coordinated audits. Many have not, although there was recognition that coordination brings benefits both to the audit bodies involved and to their country. Most SAIs, especially those with direct experience, believe the benefits of coordinated audit work outweigh the costs. These benefits include better and more thorough audits, more efficient use of resources, and improved audit methodologies. Two SAIs with strong coordination experience underlined these points in presentations to Theme II discussion groups: The Netherlands SAI pointed out the strategic value of coordinated audit in securing good governance, and the need to ensure that coordination is appropriate in the circumstances. The Russian Federation SAI spoke about its work with regional audit bodies, through a national association, to create a unified set of audit standards and a single basis for financial control.

47. The factors encouraging audit coordination identified in country papers included: mandates that allowed the required flexibility; national audit forums that bring together public sector auditors; increasingly devolved or shared delivery of programs between different levels of government; and leadership shown by the SAI.

**Some SAIs expressed concern about the practical problems in carrying out cooperative audit work.**

48. The problems identified included the time and resources required to develop relations and carry out coordination, differences in audit methodologies, and sensitivities of audit bodies to possible criticism by other audit organizations. Issues of coordination required careful consideration, in terms of legal and constitutional mandates. Many SAIs viewed coordination as a tool, not something that should dictate behavior. Some SAIs considered that they needed to be confident in their own procedures and practices before coordinating audit efforts with
other public audit bodies. It was also recognized that problems would be different depending on the type of coordination being envisaged (advisory, reliance, concurrent or joint).

49. There were different views on how best to deal with these concerns. Some SAIs felt that changes in legislation were required. Others felt that some types of coordination, such as advisory, did not require a formal protocol. The form of protocol should be based on the type of coordination planned. Most agreed that more formal arrangements would be required for concurrent or joint audit work. In particular, it was recognized that joint audits do not necessarily equal joint reporting, findings and/or recommendations.

SAIs emphasized that the details of audit coordination should reflect the specific circumstances of each country.

50. Members endorsed the principles for coordinating public sector audits within a country, proposed in the Theme II discussion paper. In so doing, SAIs emphasized that the approach to audit coordination should be flexible and reflect the diversity of legal and constitutional systems within each country, including such factors as the auditing framework, the history of audit efforts, and the mandates and responsibilities of the audit bodies involved. While experience in audit coordination can be shared, it is clear from the responses that each country faces a different situation, which should be taken into account in developing the best approach to audit coordination. For example, SAIs in unitary states did not have the same perspective as those in federal states.

51. Mutual respect and recognition of the mandates and authorities of different auditing bodies, preserving the independence of the SAI and other public auditors, were seen as essential to the effective coordination of audits. Several country papers suggested that differences should be identified and discussed at the start of a coordinated audit so their potential impact is well understood. Good coordination also needs to be based on values such as openness, goodwill and trust.

52. In some countries, it was recognized that the scope for coordination may be limited by the current legislation governing the SAI, by the types of audits, and by the purposes and objectives of different autonomous audit bodies.

Formal and informal mechanisms in countries are needed for establishing dialogue, building trust and understanding, exchanging information on best practices, and encouraging the coordination of audits.

53. Some SAIs suggested the need for greater harmonization of audit standards and methodology and look forward in this respect to the work of the new INTOSAI professional standards committee. Similarly, SAIs noted that it was important to reach agreement on common issues, or at least a clear understanding of differences of view, so that audit bodies within a country were not presenting conflicting advice. Experience suggested that good and constant communication and cooperation are essential to effective audit coordination. Regular meetings were seen as a good way to promote communication among participants.

54. Many SAIs were interested in the development of a national forum to coordinate and facilitate public sector audits within a country. Such a body would: encourage better and more thorough audits; facilitate dialogue and exchange of information on best practices; promote generally accepted government auditing standards; and encourage the coordination of audits. Some SAIs expressed concerns that this should not be a supra-national body. In other words, it should not oversee or direct coordination efforts. Guidelines for establishing a national coordinating body were discussed, including overarching principles and goals. While many SAIs saw value in these guidelines, they also recognized that other approaches could be considered.

SAIs can play a significant role in advancing coordinated audit work.

55. It was recognized that SAIs can be in a unique position to play a significant role and in some cases to provide leadership. SAIs could meet with heads of other audit bodies to exchange ideas; encourage secondments and address legal barriers where possible; set-up pilot projects; seek information on coordinated audits from other SAIs; and help create or enhance a national audit forum.

INTOSAI can help in communicating experience among SAIs in coordinating audit work.

56. The role of INTOSAI was discussed. Overall it was agreed that INTOSAI could play a useful role, especially through the internet, in raising the profile of coordinated audit work, in gathering and disseminating SAI experience in coordination,
encouraging regional bodies and perhaps providing relevant training and workshops. INTOSAI has already had significant experience on the issue of cooperation among SAIs, and Theme I addresses this issue.

57. Several SAIs raised concerns about coordination with others working in the public sector, such as private sector firms and internal auditors. Although not within the scope of Theme II, these are recognized as significant matters that could be the subject of themes at a future INCOSAI.

**Recommendations**

58. In accordance with their mandates, SAIs should explore the potential for coordinated audits within their countries. This may include establishing dialogue with other audit bodies to build cooperative relationships, exploring common interests, and identifying differences in methodology and audit approaches.

59. Recognizing the different mandates of SAIs, the Congress adopted the following principles for coordinating an audit within a country. (These principles may also apply to all joint or concurrent audits undertaken by two or more SAIs on a cooperative basis.)

**Guiding Principle**

Recognizing the different mandates of audit bodies in respective countries, SAIs agree that they share a common interest in working together with these other audit bodies to improve audit practice in their countries and to promote good governance.

**Principles**

- The objectives of the audit and the nature of coordination should be specified before the start of a coordinated audit
- The audit criteria, standards and practices as well as quality assurance procedures to be followed should be agreed and specified and be in accordance with INTOSAI guidelines
- Early and good communication should be an integral part of coordination
- The roles and responsibilities of each audit body in carrying out the audit work should be clearly identified and respect their individual mandates
- Resource requirements should be clearly defined and address competency and capacity constraints of the audit bodies
- The audit bodies should agree on the timetable for a coordinated audit, with key milestones in each phase
- Agreement should be reached on reporting procedures, structures and transparency
- A dispute resolution process should be put in place
- The effects of confidentiality and freedom of information requirements should be addressed

60. The Secretary General should ensure that a document relating to the establishment of a national forum is made available on the INTOSAI web site. This document could include the guidelines discussed in connection with Theme II at INCOSAI XVIII, together with a preamble that recognizes the constitutional and legal differences among SAIs. The guidelines could provide a useful basis for SAIs to promote their relationships with other autonomous auditing bodies in the same jurisdiction where there are such bodies. Such guidelines could include suggested principles, goals, and organizational structure and processes.

61. The Secretary General should facilitate sharing of information on coordinated audits through the INTOSAI web site. In connection with goal 3 of the INTOSAI Strategic Plan, knowledge sharing and knowledge services, the INTOSAI web site could include examples of best practices in conducting coordinated audits. It could also link with regional web sites, perhaps as a portal providing access. Examples could be selected to demonstrate such benefits as more efficient use of resources, better and more thorough audits, and improved audit methodologies. Examples could also cover learning from past experience.

**Concluding Remarks**

62. The recommendations accepted in the course of the debates of the XVIII INCOSAI map out the directions for the road ahead in the promotion of professional standards, institutional capacity building and knowledge sharing, so that SAIs can successfully respond to the challenges of the 21st century.

63. As a first step in its drive to become a model international institution and begin the process initiated by the Strategic Plan, the Governing Board will hold a special meeting in March, 2005 in Budapest with the aim of moving forward and finding solutions to the practical implementation issues.

64. The issues discussed and elaborated during the Congress will unquestionably promote the principle of INTOSAI that “mutual experience benefits all”. And will assist the professional development of the SAIs of all its member-countries in their use of modern audit methods and processes to achieve, successfully, their mission. Further evidence of the success of the Congress will rest in the steps taken to modernize the processes of INTOSAI by the time of the XIX Congress in Mexico in 2007.