



**UNITED
NATIONS**



INTOSAI

DEPARTMENT OF
DEVELOPMENT SUPPORT AND MANGEMENT SERVICES

**THE ROLE OF SAIs
IN FIGHTING CORRUPTION AND MISMANAGEMENT**

Report on the 12th UN/INTOSAI Seminar
on Government Auditing

Vienna
October 21 - 25, 1996

TABLE OF CONTENTS

I.	Introduction	1
II.	Main papers	5
1.	India: Role of SAI of India in highlighting mismanagement and inefficiency	5
2.	Mexico: Strategies and measures to control corruption in the public administration	16
3.	France: The role of supreme audit institutions (SAIs) in fighting corruption and mismanagement	31
4.	Austria: The contribution supreme audit institutions can make to prevent and detect corruption in public procurement	67
III.	Reports of the Working Groups	76
1.	Report of the Working Group 1 (Report of the Working Group in English)	76
2.	Report of the Working Group 2 (Report of the Working Group in French)	80
3.	Report of the Working Group 3 (Report of the Working Group in German)	85
4.	Report of the Working Group 4 (Report of the Working Group in Spanish)	90
IV.	Conclusions	96
V.	Attachments	100
1.	United Nations	100
2.	World Bank: General aspects of fighting corruption	112
3.	Commission of the European Communities: Action programme of the Commission of the European Communities against corruption and mismanagement	121
4.	List of papers	126
5.	List of participants	129
6.	List of speakers	133
7.	List of observers	134
8.	Conference secretariat	135

I. INTRODUCTION

The interregional seminar on "The role of the SAIs in fighting corruption and mismanagement", co-sponsored by the United Nations and INTOSAI, was held in Vienna, Austria, from October 21 to 25, 1996. It was the 12th interregional seminar organised by the United Nations Department of Development Support and Management Services in conjunction with the International Organisation of Supreme Audit Institutions (INTOSAI).

DDSMS had already initiated a number of training events in the past to assist developing nations in strengthening their government auditing services. As part of these training efforts DDSMS, in co-operation with INTOSAI, has been organising international training programmes on government auditing at two-year intervals. During the past 22 years eleven such seminars were held on themes including auditing of public sector undertakings, auditing of public works, audit methodology, internal management control systems, auditing of development aid programmes, the application of government auditing standards, accounting and auditing of foreign aid programmes, computer-assisted auditing, and public sector restructuring. The topic of the most recent seminar was the role of SAIs in fighting corruption and mismanagement.

The main themes of the 12th UN/INTOSAI seminar comprised

- the general aspects in fighting corruption
- the role of the SAIs in detecting mismanagement and inefficiency
- strategies and measures against corrupt practices in public administration
- the role of the SAIs in promoting efficient and effective financial management
- the SAIs' contribution to the prevention and detection of corruption in public procurement
- reports about past experience in fighting and preventing corruption and mismanagement.

This list of key subjects illustrates very clearly the multitude of themes and high level of detail dealt with in the course of the seminar. In a series of papers, SAIs reported about their experiences, thereby affording seminar participants a good insight into the tasks, duties and options of government auditing in the fight against corruption and prevention of mismanagement and acquainting them with the many different challenges and tasks encountered in this area.

Panel discussions and question-and-answer sessions with the speakers provided opportunities for the discussion of details and a synopsis of key subject areas. Among the topics of special interest to the participants were the creation of a regulatory environment and administrative processes supporting the prevention of corruption and mismanagement, education and training of auditors to improve their use of auditing instruments in investigating weaknesses in public administration systems, the enforceability of audit findings (possibility to impose sanctions), the procurement of information on irregularities and mismanagement, auditing authority with regard to performance audits, and the need for international co-operation in the fight against corruption. It was furthermore emphasised that performance assessments required special expertise and skills as well as sound professional judgement on the part of the auditors. Audits of this kind were a major challenge to the SAIs in terms of qualification and technical competence of their staff.

Dr. Franz Fiedler, President of the Austrian Court of Audit and Secretary General of INTOSAI, welcomed the participants. He underlined the importance of co-operation between the United Nations and INTOSAI in the long history of interregional seminars and meetings of expert groups on government auditing. The topic of the 12th UN/INTOSAI seminar had been selected in view of its importance for the large number of countries whose national budgets were exposed to the high cost of corruption and mismanagement.

In his opening address, President Dr. Fiedler stressed that corruption was being recognised increasingly as a universal problem that was, very likely, affecting all countries world-wide. Among the negative consequences of corruption he mentioned the violation of the legal basis of financial management, profiteering by individuals at the expense of the general public, undermining of the public and economic order, violation of business ethics, and unfair competitive advantages. He added that emulation of corrupt practices tended to breed even more corruption. This led to a loss of confidence in the rule of law and, in the worst case, to the collapse of the economic system and government authority, as examples from past and more recent history showed. This in turn went hand in hand with a loss of confidence of economic agents in market mechanisms.

President Dr. Fiedler named the many faces of corruption, among them fraud, misappropriation, theft, falsification of documents, bribery, blackmail and fraudulent claiming of subsidies and, as a particularly sensitive area, the contract-award process, where corruption comprised bribing or blackmailing of decision-makers, collusive tendering, deliberate submission of incorrect data and manipulations in contract-awarding procedures.

The manifold problems encountered in the fight against corruption were described, among them a frequently indifferent attitude by society (it is "only" public money that is lost), a low level of visible danger (with the high social cost being overlooked), the complexities of the process (detection is frequently possible only if one of the parties involved makes a confession), frequent backing by politicians, and cross-border operations, all of which were major obstacles to the containment of corruption. Beyond this, the fight against corruption was made even more difficult by inadequate training of the civil servants responsible for its prosecution, a usually high level of intelligence and influence on the part of the perpetrators (often found at the highest echelons of law enforcement and the judiciary), and the fact that the perpetrators had substantial financial resources at their disposal and were able to afford the best lawyers.

President Dr. Fiedler pointed out that in their fight against corruption and mismanagement the SAIs were employing primarily a posteriori audits. Their activities comprised the investigation of corrupt associations and criminal systems (e.g. where contract-awarding processes or subsidies are concerned), the reporting of corrupt practices, provision of support to the prosecution in criminal proceedings and investigation of the causes of corruption and mismanagement, with a great emphasis on preventive action. Further responsibilities were the examination of compliance with regulations intended to prevent corrupt practices (e.g. accounting rules, compliance with the four-eyes principle). All this required a very high degree of integrity and ethical standards on the part of the auditors.

As no country and no social system was immune to corruption, the essential point was how corruption was being dealt with. Corruption must be fought with determination and must be prosecuted not only under criminal law but also ostracised by society as a whole, for if there were no general social consensus on an outright rejection of corruption, any action taken against it would be doomed to fail. This called for high social ethics on the part of government representatives as well as information and education of the general public to deprive corruption of its social breeding ground. The SAIs were called upon to make their contribution to this - sometimes lengthy - process.

Finally, President Dr. Fiedler urged the attendees to contribute their expertise and experience on the topic of the seminar in order to enable all participants to benefit from the seminar and to assist in improving financial management in their respective countries.

In his welcome address on behalf of the United Nations Department of Development Support and Management Services Mr. Bouab, Officer in Charge, Public Finance and Enterprise Management Branch, underlined the high importance attached by the United Nations to these

seminars and events and the important role they were playing, particularly in the developing nations, in the improvement of public sector financial management. Many countries had a long tradition of corruption and mismanagement and it was therefore of the highest public interest to assist the SAIs in their efforts to detect and report improper practices and cases of mismanagement. For this purpose it would be very helpful to also motivate the general public to report more cases of corruption and fraud. The development of and compliance with a code of conduct for government officials and the establishment of effective internal controls were of particular importance.

He expressed the hope that the 12th UN/INTOSAI seminar would provide practical assistance to SAIs in their task of detecting and reporting corruption and mismanagement in public sector operations and that this would help to strengthen public sector financial management in the individual countries.

In total, about 50 persons attended the event, among them delegates from developing nations, and from SAIs in developed nations, representatives of the United Nations, the World Bank, the Commission of the European Communities, and observers of UN specialised organisations and INTOSAI (a list of participants is attached).

The seminar started on October 21, 1996 with a plenary session and closed on October 25, 1996 after a total of nine plenary sessions and three meetings in four working groups.

II. MAIN PAPERS

1. **India: Role of SAI of India in highlighting mismanagement and inefficiency**

Introduction

According to a statesman of ancient India, "just as it is impossible not to taste honey or poison that one may find at the tip of one's tongue, so it is impossible for one dealing with the government funds not to taste, at least a little bit, of the king's wealth". Kautilya, who made the above statement in his famous treatise on statecraft and polity titled "Arthashastra"¹, had also described in detail the forty ways in which state funds could be embezzled, and laid down an elaborate procedure of punishment in such cases. With the increasing role of government in development, especially the developing countries, the volume of public investment in various social and economic sectors lends itself to the vagaries of the individual government official's honesty and integrity.

Evolution of Audit in India

In the pre-independence era, audit activities were generally confined to scrutiny of individual transactions, focusing on conformity with the appropriation of funds approved by Parliament, authorisation by competent financial authorities, conformity with applicable laws, rules and regulations, and correct depiction of transactions in government accounts. In addition, the "propriety" of expenditure was also subject to audit scrutiny, with a view to bringing to light cases of wastage and infructuous expenditure.

After independence, there was a major shift in the focus of governmental activities from mere law and order functions to a proactive role in socio-economic development involving massive investment of public funds in various sectors of the economy. In response to this changing pattern of government expenditure, SAI-India introduced the concept of "Efficiency-cum-Performance Audit" (ECPA), covering comprehensive performance appraisals of programmes, projects, schemes and organisations, with a view to ascertaining the extent to which the objectives sought to be achieved were actually achieved, and at what cost. ECPA reviews thus covered economy, efficiency and effectiveness aspects, and have been appreciated not only by the legislators and legislative financial committees, but also by the Executive and the public at large.

¹ Dating back to the period 321-296 B.C.

Aim of Audit

The broad aim of the SAI's audit is to safeguard the financial interests of the state and to uphold and promote public accountability and sound and economical financial management practices. Audit assists the Legislature in the exercise of financial control over the Executive Government.

It is the responsibility of the Executive (not the SAI) to ensure economy and efficiency in the expenditure of public money. Towards this objective, the SAI however brings to light wastefulness, failures, system weaknesses, deficiencies and other circumstances leading to infructuous expenditure.

The detection of fraud or misappropriation is not the aim of the SAI's audit but is incidental to its function of promoting public financial accountability and transparency in governmental decision making.

In the course of its audit, the SAI does not today make independent enquiries from private individuals or members of the general public and relies solely on documentary evidence for substantiating its observations. In other words, the Indian SAI is a watchdog of public accountability. It is not an investigative agency, nor does it have powers of investigation.

Causes of Mismanagement and Inefficiency

During the course of audit, the Indian SAI comes across a large number of instances of mismanagement and inefficiency in governmental transactions and decision making. Some typical causes for such mismanagement / inefficiency, which are highlighted in the SAI's Audit Reports, are described in the succeeding paragraphs.

System of Budgetary Allocations

Allocations for Expenditure by Government are authorised by Parliament on an annual basis under various "Grants" covering different Ministries and Departments. These are further distributed amongst individual Drawing and Disbursing Officers, who are authorised to expend government funds within their allotment. The process of approval of allocations and their distribution / redistribution / re-appropriation is quite time-consuming, leading to availability of surplus funds at the fag end of the financial year. In order to avoid "lapse" of funds at the close of the financial year, such funds are often used wastefully or improperly.

Delay in Sanctions / Clearances

The process of sanctions to public expenditure by competent financial authorities is lengthy and cumbersome. Often to avoid delays, spending officers sometimes incur expenditure, without obtaining proper sanctions, or by artificially "splitting" requirements of government funds in order to bring such expenditure within the competency of a lower authority.

Defective Procurement Process

Very often, the requirements of governmental financial rules and regulations with regard to the contracting process for procurement of goods and services is not adhered to, resulting in absence of competitive bidding, lack of transparency in the tendering process, and increased costs to government. Also, in many cases, the contractual agreements have defective clauses/provisions, resulting in undue advantages and/or unintended benefits to the vendors.

Poor Programme Management

Often, the intended results of projects or programmes are not achieved on time, or are achieved at higher costs than estimated, on account of inadequate pre-approval feasibility study, defective project planning, lack of adequate and timely monitoring of project implementation, inadequate control over costs and resources, and lack of appropriate synchronisation between different project activities.

Poor Inventory Management

Many government departments undertaking commercial or service oriented activities are often guilty of poor inventory management, leading to unnecessary locking up of public funds through excess inventory holdings. In many cases, the SAI quantifies the monetary value of excess investment in inventory holdings, and the corresponding cost to government in terms of interest paid on public debt.

Weak Internal Controls

Many government organisations have weak internal control systems, both for financial and non-financial aspects. The absence of an effective internal audit system is also widespread. This often leads to mismanagement, and lack of adequate financial accountability on the part of the Executive.

Revenue Receipts

Very often defective, ambiguous or vague provisions in the taxation laws, or incorrect interpretation of these laws by the assessing officers lead to substantial leakage of revenue, that could have accrued to Government. Other problems include inadequate follow-up of collection of assessed tax demands, delayed remittance to government, and incorrect granting of tax refunds / waivers.

Corruption

A Committee for Prevention of Corruption set up by the Indian Parliament in 1962 outlined four major causes of corruption:

- Administrative Delays
- Governments taking upon themselves more than what they can manage by way of regulatory functions
- Scope for personal discretion in the exercise of powers vested in different categories of government servants
- Cumbersome procedures of dealing with various matters which are of importance to citizens in their day to day affairs.

The Committee felt that corruption could not be eliminated or even significantly reduced, unless preventive measures, consisting of a combination of administrative, legal, social, economic and educative measures, were planned and implemented in a sustained and effective manner. Pursuant to the recommendations of this Committee, the framework of agencies for dealing with corruption was strengthened by the Federal Government. This involved setting up of a Central Vigilance Commission, with overall responsibility for anti-corruption measures and policy direction. In addition, each Department of the Federal Government set up separate vigilance units, for dealing with vigilance matters. This apart, the Central Bureau of Investigation (CBI), which is a special police organisation, conducts investigation of cases under the Prevention of Corruption Act.

SAI's Role in Control of Mismanagement, Inefficiency and Corruption

The Indian SAI has a vast audit jurisdiction covering not only the Federal and Provincial Governments, but also commercial enterprises owned or controlled by government and its role is to safeguard the financial interests of the tax-payer, by focusing on the accuracy and authenticity of accounts, assessment of compliance with applicable laws and regulations, and evaluation of economy, efficiency and effectiveness of governmental expenditure.

Budgetary Allocations

As part of its "appropriation audit", the SAI compiles cases of significant excesses of expenditure over approved legislative appropriations, unauthorised re-appropriation of funds between different "grants", avoidable lapse of funds and "rush of expenditure" at the end of the financial year merely to avoid lapse of funds. The SAI highlights cases of inordinately delayed allocation/ redistribution/reappropriation of funds, leading to wasteful expenditure.

Case Studies

In its 1995 Audit Report on the Federal Government, the SAI reported that in a number of grants, savings of appropriated funds were not "surrendered" on time. Against final savings of Rs. 208.17 billion, the amount surrendered was Rs. 146.80 billion, of which Rs. 145.99 billion (99%) was surrendered on the last day of the financial year.

In its 1996 Audit Report on the Federal Government, the SAI reported that expenditure under seven grants exceeded the amounts authorised by Parliament by Rs. 470.3 million.

Sanctions

The SAI highlights cases where governmental rules and regulations have not been adhered to either in letter or spirit, as also cases where rules have been improperly circumvented.

Case Study

A review by the SAI of works executed by the Indian Air Force for the period 1986-87 to 1990-91 revealed that works services costing Rs. 104.9 million were artificially split up to avoid expenditure sanction at higher levels of authority, and an avoidable liability of Rs. 29.4 million was incurred due to inordinate delay in sanctioning certain urgent civil works. Works costing Rs. 22.6 million were sanctioned in contravention of the laid down scales, regulations and orders; these were subsequently cancelled at the instance of the SAI. In pursuance of the observations of the SAI, the Indian Air Force Headquarters issued detailed instructions to its

formations, directing strict compliance with the approved delegation of financial powers and applicable rules and regulations, and speedy issue of sanctions and clearances.

Procurement Process

The SAI highlights defects in the process for procurement of goods and services, e.g. incorrect estimation of requirements, non-competitive tendering, incorrect analysis of bids received, undue favour to specific bidders especially during negotiations, defective contract clauses causing disadvantage to government, absence of penalty clauses for delayed or defective deliveries etc.

Case Studies

A Government Office hired a private building for purposes of office accommodation at rental rates, which were significantly higher than what was demanded by the owner. The SAI felt that the reasons for fixation of rent at higher rates were not convincing; the Government however stated that it was only a coincidence that the rent fixed happened to be more than that offered by the owner, which could not be taken as a measuring rod.

A contract was awarded in December 1981 for supply of four submarines to a foreign manufacturer, whose submarine was not the best on technical evaluation and whose overall costs, excluding spares, were higher by Rs. 111.41 million as opposed to his competitor. The SAI also found evidence of defective price analysis in terms of a 355% differential in the cost of spares quoted by the two manufacturers going unquestioned. The Indian Navy was not only denied value for money, but also had to give up its right of rejection in case the vessel exceeded specified self-noise levels, which are critical in operational terms.

Tenders were invited by an Urban Development Authority in a Province for supply of cement. While receiving bids of various firms, the Authority also addressed the local offices of the Roads and Buildings and Public Health Departments and the local municipal corporation to ascertain the rates at which they were procuring cement. Without waiting for this information, the Authority placed the order for supply of cement at a rate, which turned out to be Rs. 100 / tonne more than the supply rate for the municipal corporation. This resulted in a loss to government of Rs. 0.53 million.

Programme Management

In its Audit Reports, the SAI brings to light cases of non-achievement of physical and financial targets along with reasons for shortfall, non-realisation of social and economic

objectives, time and cost over-runs and their linkages, over-staffing and idle personnel, idle plant and equipment, excessive inventory holdings, absence of pricing policies etc.

Case Study

In a review of an Irrigation and Command Area Development Project taken up by a Provincial Government, the SAI reported that the project which was to have been completed by 1986, had not yet been completed for want of timely funds and delay in foundation work, even though expenditure of Rs. 15.62 billion had been incurred upto 1992-93. This came in for severe criticism by the Public Accounts Committee, which observed that instead of initiating several works and delaying their execution for long periods, it would be better for the Government to determine the priorities in the execution of works consistent with the availability of financial resources.

In its 1994 Audit Report, the SAI reported that improper planning and execution of a project by the Indian Navy for setting up of a High Speed Towing Tank for conducting hydrodynamic studies delayed completion of the facility for more than six years. Apart from a cost over-run of Rs. 43.9 million, the facility costing Rs. 131.4 million could not be fruitfully utilised even after its completion for want of essential scale models and trained manpower.

In its 1995 Audit Report, the SAI reported the case of the Indian Navy's failure to conduct a realistic technical assessment of the engineering design of a gas turbine before its import, resulting in infructuous expenditure of Rs. 71.8 million. The imported gas turbine remains with a public sector undertaking since 1989, with no prospects of its future utilisation. Additionally, the Navy could not derive any benefit out of the license fee amounting to Rs. 10.5 million reimbursed to the public sector undertaking for the licensed manufacture in India of the gas turbine.

Inventory Management

The SAI highlights cases of improper or deficient maintenance of inventory records, excess holdings well above annual requirements, non-conducting of periodical physical verification, non-conducting of "ABC analysis" of stores, lack of adequate efforts to weed out surplus / obsolete / dead stock, infructuous expenditure on account of carrying cost of excess stores etc.

Case Study

The SAI reported that the Indian Air Force was holding an inventory of surplus / obsolete stocks worth Rs. 2.07 billion, as of December 1993, which had accumulated over the years primarily for want of adequate systems / procedures for their periodical disposal. These occupied

500,00 square feet of covered accommodation and involved an annual expenditure of Rs. 200 to 300 million towards their carrying cost.

Internal Controls

The Auditing Standards of the SAI prescribe that "sufficient understanding of the internal control system should be obtained to express an opinion on the reliability, fidelity and integrity of the systems and procedures of the audited entity and to determine the nature, timing and extent of audit tests to be performed." In addition, the SAI also conducts "stand-alone" reviews of internal control systems, including internal audit, in different organisations.

Case Study

The SAI reviewed the working of the Chief Accounting Offices in the Central Excise Collectorates (which are formations for collection of central excise duty). This review highlighted the pendency of non-verification of personal ledger accounts of individual manufacturing units, non-reconciliation of revenue receipt figures, and abnormal delay in remittance of revenue to government account by various banks, which act as bankers to the Central and State Governments. The Public Accounts Committee recommended that the penal interest for delayed remittances by banks should at least be equal to the rate of interest payable on treasury bills of similar duration.

Revenue Receipts

The SAI's mandate concerning audit of receipts of the Federal and Provincial Governments, require it to satisfy itself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue, and are being duly observed in practice. The focus of SAI's audit is generally on system deficiencies and weaknesses, with individual cases as illustrations of system failures.

Case Studies

In its 1994 Audit Report on the Federal Government, the SAI's check of assessment records of revenue receipts, revealed short levy of Direct Taxes in 14,575 cases, amounting to Rs. 5.96 billion.

In a review of the Modified Value Added Tax Scheme (MODVAT), the SAI noticed irregularities with a revenue implication of Rs. 252.5 million, including:

- irregular utilisation of credits of Rs. 34.2 million, due to the absence of provisions in the rules regarding suitable format for declaration of outputs and inputs
- irregular availment of credits of Rs. 21.11 million, due to not defining the term "inputs used in or in relation to manufacture"
- credits of Rs. 51.8 million availed of by 47 assesseees on the basis of invalid documents, credits of duties other than Central Excise, credits on goods not covered by the MODVAT scheme
- credit of Rs. 21.5 million availed of in excess of the prescribed rates
- payments of duties in excess of the prescribed rates, with the intention of transferring MODVAT credits to buyer units, with revenue implication of Rs. 23.3 million
- non-payment of duty of Rs. 26.6 million on waste and scrap generated from inputs, on which MODVAT credits were availed.

Corruption

In the absence of any documented reference in governmental records to corruption in governmental transactions, the SAI does not have any direct role to play in highlighting cases of corruption. While the SAI highlights cases of administrative delay, procedural irregularities and violations, misuse of discretionary powers, cases of fraud and embezzlement, wasteful or extravagant expenditure etc. (some of which have been highlighted in this paper), all leading to lack of Value-For-Money, it does not draw inferences regarding the possibility of corruption, which may be associated with these administrative acts of omission and commission. Such investigation is generally conducted by the anti-corruption investigative agencies, as well as the concerned department. Very often however, based on the SAI's audit reports, anti-corruption agencies do conduct investigations and bring to light cases of corruption. During the course of such investigations, the SAI provides copies of documents in its possession which may have a bearing on the case under scrutiny, but does not participate in the investigation *per se*.

Problems

Non-production of documents / information

The parliamentary act specifying the duties and powers of the SAI, clearly stipulates that the SAI can require any documents which are relevant to transactions within the scope of SAI's audit, to be sent to such place as the SAI may appoint for its inspection, and directs the auditees to afford all facilities for inspection and audit and comply with requests for information in as complete a form as possible and with all reasonable expedition. In practice however, the SAI often faces difficulties in timely receipt of documents and information from the Executive, and response of the Executive to preliminary observations of the SAI. While the matter usually gets resolved through discussions between the SAI and the Executive at the highest levels of authority, considerable time is lost in the process, thus impeding the SAI's audit efforts. Often, the SAI is forced to report the absence of response from the Executive in its audit findings.

Non-Availability of Performance Indicators and Standards

While the responsibility for development of performance indicators and standards to adjudge the impact of a programme or project rests with the Executive, the SAI often finds that such standards have not been set, and even where such standards have been set, they are either intermediate in nature and do not reflect the ultimate objective of the programme, or are framed in such a fashion, as to be incapable of precise measurement. In such situations, the SAI, in the absence of qualified in-house technical expertise, reports the absence of appropriate standards, but does not seek to develop its own standards for judging the effectiveness of the programme.

Delayed Action on SAI's Reports by Legislative Committee

The Reports of the SAI on the Federal and Provincial Governments and Public Sector Undertakings, are referred to the respective Legislative Financial Committees for examination, discussion and issue of suitable recommendations to the Executive. While the SAI produced nearly a hundred reports every year, the Committees are unable to examine the entire wealth of reports, due to paucity of time, and select only a small proportion of cases for detailed examination. Further in many provinces, there is a backlog of SAI's Reports for several years pending consideration by the Committees. These delays have a deleterious impact on audit effectiveness.

Multiplicity of Languages

India is a Union of States, and has 18 recognised national languages, in addition to English, which are used by the Federal and Provincial Governments. Maintenance of records in a multiplicity of languages often impedes their speedy examination by the SAI, necessitating the use of translation facilities.

2. Mexico: Strategies and measures to control corruption in the public administration

1. The theory of corruption

1.1 Background

Many social researchers have concluded that corruption goes right back to the beginning of human society, that it is present in every political system, regardless of how developed it is, and that it is not restricted to any particular sector, to developed countries or to developing countries.

These theorists have endeavoured to conceptualize corruption, identify its causes and, essentially, suggest ways to combat it. If we look at the vast number of words written about corruption, we find statements to the effect that it is a means of exerting illicit, illegal and illegitimate influence on how a system operates in general, and on the decision-taking process in that system in particular.

As we see it, what is in fact important is not to define corruption, but rather to examine its effects and identify its causes, thus pinpointing possible solutions. Corruption gives rise to general bureaucratic inefficiency and, most significantly, jeopardizes the legitimacy of the organizations of the State. This situation also generates a pernicious "culture of corruption" among the population.

1.2 The extent of corruption in public, private and social circles

This document focuses on the Administration, since that is precisely the area in which corruption occurs most often and the area that attracts most public criticism.

Even though the most conspicuous corruption occurs in the government, corruption is also deeply rooted in private and social life.

2. Corruption in the administration

2.1 Circumstances behind corruption

Some people say that corruption is the result of a structural imbalance between the State and society, which gives the State and its representatives a comparative advantage in acquiring wealth and mobility, producing a peculiar pattern of behaviour in which bribery prevails.

Corruption is brought about or promoted by a vast range of conditions, including:

1. The concentration or centralization of powers in the central organs of the administration;
2. Excessive administrative regulation;
3. The continuing existence of gaps or omissions in the legal rules governing the provision of public service;
4. Lack of legitimate access to mobility;
5. Absence of adequate, effective and specific control measures;
6. Low income levels among the most disadvantaged sections of society, basically because of limited job opportunities;
7. Lack of adequate emphasis on education to imbue children and young people with respect for due legal process and a spirit of impartial service to the nation - in particular there is no general culture of control;
8. Excessive direct contact between the providers and the users of services;
9. Inadequate selection processes when appointing individuals to administrative posts;
10. Excessive partiality shown by public servants in decision-taking.

These conditions all apply to any form of corruption, including so-called government or administrative corruption, that is to say behaviour that contravenes the standards on which the bureaucratic apparatus is based.

2.2 Areas in which corruption flourishes

Commercial contacts between the public and private sectors have traditionally attracted a whole range of people and have thus become a breeding ground for corruption.

- Purchase of goods and services

The clearest example is to be found in economies with increasing State participation, making the State the major purchaser of goods and services - a situation that gives rise to many and varied irregularities in the purchase of goods and the contracting of services by the government and its enterprises. Corruption generally takes the form of bribery.

- Public works

The negotiation of public works contracts is a fertile field for corrupt practices, above all because of the large sums of money involved, which often means that the contracts are placed without reference to the regulatory procedures for public contracts, with broad-based competitive bidding to ensure the choice of the contractor who offers the best tender, in terms of price, quality and suitability. Corrupt practices occur in quantifying the volume of work, overpricing, the quality of the materials used, etc.

- Subsidies, licences or permits

If the business world is subject to extensive government intervention, this gives public servants a rough power base in their dealings with it, ranging from regulations and subsidies to the issue of licences and permits. Since the State is in such a strong bargaining position, enterprises frequently pay bribes in order to obtain licences, permits or other government services.

- Labour relations

It has to be acknowledged that corruption is very widespread in the union movement. Government leaders have had a powerful influence on job security, mobility and future policies and, consequently, the leaders of the corporate organizations tend to be more concerned with the needs of individuals and the government than with those of their members. Instead of striving for employment stability, the unions enjoy the fruits of subcontracting and the control of pensions and jobs, as well as political positions.

- Press

Some analysts think that the relationship between the press and the government is a "vicious circle of corruption". As in the relationship between the government and the enterprises, the press finds that it makes life easier to follow the path of mobility, smoothed by corruption, offered by State officials, than to attack the system. Under the protection of freedom of expression, it uses its position as a means of exerting pressure in order to obtain additional benefits.

- Tax collection and finances

Tax collection and finance administration have been affected to such an extent that the normal courses of action have been replaced by procedures that have strayed a long way from the principles of integrity, professional ethics and, above all, legality.

Planning, budgeting, taxation and auditing are of vital importance in finance administration but, unfortunately, each stage is dominated by special or group interests that detract from the public administration.

If the public administration in a political system fails to respond clearly to social needs, there are innumerable dangers, the most common being that the government continuously seeks to evade its obligations, particularly its tax obligations, by licit or illicit means.

It should be acknowledged that a serious deficiency in the tax administration that generates a complex and cumbersome fiscal structure causes taxpayers to become disillusioned.

On top of this, it is not unheard of for gaps in the law to benefit individuals or groups, directly or indirectly. In other words, the establishment of defective taxation systems or unsuitable forms of tax collection encourages tax evasion.

Tax evasion is a very serious problem in any taxation system. Any act of commission or omission by a person who is liable to tax that contravenes or infringes a tax requirement, whereby a taxable asset is sheltered, wholly or in part, from payment of tax pursuant to the law, constitutes tax evasion. We very often come up against so-called "legal" tax evasion, in which accepted legal means or arrangements are used in order to reduce the tax burden.

Tax evasion means any reduction in or elimination of tax payment, within a country, by those who are legally obliged to pay tax, through the use of fraud or deliberate omission that is against the law.

The State must endeavour to dissuade taxpayers from using such practices, essentially by means of an appropriate tax policy.

– Budget administration (audit bodies)

Finance administration covers everything connected with strategic planning, operational administration and internal audit. These apply just as much to the government as to any other economic organization. After all, the State is the largest enterprise in any country.

From this standpoint, the finance administration must have the same beneficial effects in the State as in any private enterprise as regards the control of inefficiency, the elimination of non-standard procedures, compliance with government policies and, in general, compliance with all of the standards that regulate the system. This is all the more important since the State is merely the administrator of the people's property and, as administrator, is required to account for its management to the owner of the property. As in a private enterprise, the main beneficiary of strict administration is the State itself, since this makes accounting easier. Sadly, many public officials see the standards and the administrative policies as a hindrance in achieving their aims. Such an attitude can lead to illegal or corrupt practices.

The finance administration cannot eliminate corruption by itself. However, if no such administration existed corruption could assume disastrous proportions. An effective finance administrative is therefore very useful in controlling corruption. The tools available within the finance administration are the internal auditors, general auditors and internal audit procedures.

Assuming that the main manifestations of corruption are economic, everything to do with the handling of money and, more importantly, the assessment and administration of tax collection must be subject to a strict system of internal auditing. An effective internal audit system must be based on certain fundamental principles, such as the separation of functions, double checking of every aspect of tax debts, cross-checking of information at different stages in the tax-collection process in order to reduce the risk of collusion as far as possible and, above all, training of public officials in modern finance

administration techniques to enable them to study existing audit systems and suggest improvements.

We must not lose sight of the fact, however, that excessive auditing may in turn encourage corruption.

Most of our countries have an auditor-general, who acts as the State auditor, in accordance with local custom in each country. None the less, this official is invariably restricted by a lack of autonomy, insufficient budgets, inadequate structures and weak regulatory powers, all of which prevent him from playing an important role in the efforts to reduce corrupt practices in the government.

Similarly, many State offices, particularly the decentralized ones, have internal auditors, who may be vulnerable for the reasons already mentioned.

3. General features to be considered in dealing with administrative corruption

Corruption has no frontiers and the international community has striven to propose and establish measures to combat it. The initiatives include those of the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS), whose last two ordinary General Assembly sessions - in Montevideo, Uruguay (1994) and Lima, Peru (1995) - have focused on the role of the supreme audit bodies in controlling corruption, and the recent international conference under the aegis of the Organization on "Democracy against corruption", held in Caracas, Venezuela, last June. The Organization of American States has also held meetings to look into corruption that have generated the Inter-American Conventions against Corruption and the International Anti-Corruption Conferences. The United Nations has also organized international meetings to examine ways of dealing with this global scourge, such as the Summit of the Americas to Combat Corruption and the Ninth United Nations Congress on the Prevention of Crime.

If we look at our own and international experience, a number of aspects stand out in the battle against administrative corruption:

- Anti-corruption legislation to remove gaps or grey areas or to eliminate excessive scope for discretion, which may give rise to corruption
- Efforts to instil a rejection of the corruption culture, in formal education and in further training

- Making the battle against corruption a government priority, with specific approaches or programmes to deal with corruption
- Provision of sufficient resources to undertake anti-corruption measures
- Involvement of different sections of society - role of the citizen
- Publicizing of results achieved, using the communications media
- Extension of auditing powers and new administrative attitudes to promote transparency and to strengthen international information networks
- Deregulation
- Decentralization
- Simplification
- Bilateral and multilateral treaties and agreements on assistance and cooperation to deal with corruption
- Possibility of making exceptions to bank secrecy
- Efforts to make public servants more professional
- Removal of impunity
- Code of ethics for public servants
- Development of auditing techniques to combat corruption.

4. Measures to deal with corruption The Mexican situation

The Mexican anti-corruption effort is made up of three major initiatives:

Basically, the "Programme to modernize the public administration, 1995-2000", the new supreme audit plan that is currently before Congress and the promotion of international cooperation.

4.1 Programme to modernize the public administration, 1995-2000

The medium-term 1995-2000 programme for the public administration was published in the Federal Official Gazette on 28 May 1996. Both the programme itself and the measures deriving therefrom must be implemented by all agencies and offices of the Federal Public Administration.

The programme is built around two general objectives that are designed to improve the way the public administration operates:

1. To transform the Federal Public Administration into an effective and efficient organization, with a firmly-established spirit of service, to respond fully to the legitimate needs of society;
2. To combat corruption and impunity by means of prevention and promotional campaigns, without diminishing the firm, flexible and effective application of corrective measures.

In pursuit of these two objectives, the programme is split into four sub-programmes:

1. participation by and involvement of the general public;
2. administrative decentralization and/or division of powers;
3. measurement and evaluation of the performance of the public administration;
4. esteem, professional attitude and ethics of public servants.

– Participation by and involvement of the general public

Efforts must be made to give citizens access to different ways of expressing their views on how government operates, such as opinion polls, suggestion boxes, surveys, interviews, focus groups or direct contacts with public representatives.

Users' opinions, complaints and suggestions must be examined systematically to solve or prevent problems and to ensure that they do not recur or become established. The aim is to promote more active social participation in the definition, implementation and evaluation of measures adopted by State institutions so that citizens receive efficient, effective, timely and satisfactory treatment from the public institutions.

This programme is essentially based on

- a) increased social auditing and
- b) greater direct contact with the general public.

– Administrative decentralization and/or division of powers

The present government is fully committed to greater decentralization of federal functions and resources to the States and Municipalities, together with administrative decentralization, that is to say decentralization within the Federal Public Administration itself. There will also be increased division of functions in the administrative agencies with decision-taking authority on specific territorial areas and subjects.

The programme is designed to strengthen the Federal Pact by decentralizing functions and dividing powers, in order to promote regional development and economic decentralization, improve public services, cut costs and bring decisions closer to those concerned, all of which will improve the service to the people. The aim is also to give public institutions the necessary flexibility to shape themselves to the new situation, to enable them to fulfil clearly-defined functions and objectives and to rationalize them, once and for all, and reduce bureaucratic overspending.

This sub-programme sets the following priorities: increased federalism, simplified budgetary procedures, greater administrative independence for the decentralized agencies and the coordinated bodies and delegation of operational functions within offices and agencies.

- Measurement and evaluation of the performance of the public administration

Budgetary monitoring must be supplemented by an overall evaluation to measure the results achieved by the public administration, expressed in terms of the relevance and quality of services, their effective appropriateness to the target population and their relevance to the demands and requirements of the people.

This sub-programme has the following objectives:

improved accountability, based on modern techniques to measure and evaluate the performance and results achieved by auditing systems, giving public administrators greater operational flexibility and ensuring probity, honesty and transparency in the use of public resources; enhanced confidence among citizens that public resources are being used in an honest, efficient and effective manner, that there are ways of preventing and detecting corrupt activities and that any infringements by public servants will be promptly and appropriately punished.

The intention is to establish clear objectives and quantifiable targets, set performance guidelines, keep a closer eye on the system of information and improve internal auditing.

- Esteem, professional attitude and ethics of public servants

It is necessary to promote a spirit of service that focuses on and acknowledges the individual, an approach that shows the public servant that his capability, honesty, dedication and efficiency represent his own fulfilment. To this end, the staff of the entire administration will receive training and professional counselling to help them to do their jobs.

This sub-programme is designed to provide a professional career service in the public administration that ensures the proper selection, professional development and honourable retirement of public servants, so that incoming staff of departments and offices can take advantage of the experience and knowledge of incumbent staff and so that the administration can proceed seamlessly. It is also designed to encourage public servants to espouse the ethical values of honesty, efficiency and dignity in their contacts with the public and to strengthen probity and responsibility.

It focuses on identifying staff selection procedures, organizing training activities, ensuring human resource development, establishing procedures for civil service recruitment, selection and entry, enhancing civic and ethical values in public service and improving the assumption and delineation of responsibility.

A computerized government contracting system has been devised to shed more light on public calls for tenders issued by departments and offices of the Federal Public Administration.

4.2 A new supreme audit plan

The current crises have generated social pressure for urgent action against corruption and it is therefore essential to make a frontal assault on its causes and effects. However, this struggle will be fruitless without a firm political commitment and the participation of society in general.

First and foremost, this strategy involves a wide-ranging reform of existing internal and external auditing systems in the public administration and the legal framework has to be updated to prevent, control and punish corruption.

Mexico is carefully examining the most appropriate supreme audit model that provides adequate guarantees of probity and transparency in the use of public resources.

The Federal Executive recently put before the Chamber of Deputies an initiative to create the Federal Supreme Audit Institution (*Auditoría Superior de la Federación*) which, if approved, would replace the existing National Audit Office (*Contaduría Mayor de Hacienda*), dating back to 1824.

The main changes envisaged include:

- Greater promptness and shorter waiting periods in the auditing of public expenditure and general administration;
- Auditing of the three branches of the Union;
- Powers to audit, among other things, matters relating to tax collection, public debt servicing and contracting, disincorporation and disposition of federal public property;

- Direct powers to delineate responsibility;
- The new institution would be administered by a group of five auditors, each presiding in rotation;
- The auditors would be presidential nominees, who would need the approval of a simple majority of the Chamber of Deputies;
- Dismantling of the National Audit Office Oversight Commission (*Comisión de Vigilancia de la Contaduría de Hacienda*).

Mexico is currently departing from traditional structures and attitudes in a way that would have been unthinkable until recently. The country is transforming most of its political, economic and social structures, in an effort to establish a more democratic and, thus, fairer society.

A new political spirit implies a new approach to administration, with particular reference to the citizen's right to know how, when and where the government uses State resources and the government's obligation to account for what is going on.

Now, more than ever before, there is a pressing need for a serious reappraisal of the principles underpinning the auditing or external monitoring of public income and expenditure in Mexico.

Clearly, this reappraisal cannot take place in isolation, but rather in conjunction - and this is the main obstacle - with a truly democratic regime that is reflected in a real political commitment, not on the part of the government, as many insist, since it must adjust to the mandate of the people, but on the part of the governed in the personal exercise of their function in the monitoring process.

In this situation, considering the main principles involved, we must construct an institution that can take responsibility for auditing the administration.

The idea is to endow the supreme audit institution in Mexico with the widest possible powers, primarily through modern legislation inspired by the social reality in the country, obviously without disregarding the experience acquired by other audit institutions internationally.

Naturally, when we establish a new legal institution we must ensure that it does not contradict current legislative provisions or disrupt the system as a whole, giving rise to ambiguities.

Regardless of the type of audit institution required by our political organization, what matters is that auditing should cover, *inter alia*: ongoing monitoring of financial activities; extension of auditing to cover areas and objectives that are more in line with the requirements of a modern State; inclusion of efficiency, effectiveness and economy auditing; an audit institution that is fully independent, but not isolated or disconnected from the other authorities; assumption of legal powers to implement definitive decisions; employment of officials whose personal and professional soundness is recognized; improved operational effectiveness to consolidate public prestige; extensive technical competence, so that its audits always carry the greatest possible legal and economic weight; greater timeliness in auditing procedures, etc.

4.3 Promotion of international cooperation

The prerequisite in dealing with corruption is undoubtedly international cooperation, in the form of exchanges of experience, training and proposals by international agencies, like this major event organized by INTOSAI, together with multilateral agreements between countries or the different agencies in the countries concerned.

With this in mind, last November the fifth ordinary session of the General Assembly of the Organization of Latin American and Caribbean Supreme Audit Institutions established the "Latin American and Caribbean Fund for Public Morals" as a special programme directed and administered by OLACEFS, with the general objective of combating corruption in all its manifestations and participating in teaching campaigns to promote public values.

5. Some final considerations on how to deal with corruption

From what we have said so far, it would seem to be a very courageous matter to prioritize measures to deal with administrative corruption. What is more, the situation varies from one country to another. The following features could be components in any initiative to fight corruption.

5.1 Awareness-building

It seems that the prevailing situation in many countries around the world, including Mexico, is extremely serious given the proliferation of corrupt practices in the public, private and social domains. One of the most serious things affecting the legitimacy of any government is loss

of confidence in the administrators and it is imperative to develop procedures for the effective handling of financial resources.

In our view, one of the main steps that governments must take to eliminate corruption is to build public awareness. It is thus necessary to strengthen the education system, to make sure that education programmes embody human relations and, above all, to imbue citizens with a sound respect for honesty.

If we can allow truth to govern our lives, then we will also be able to cleanse our minds of all those ideas that lead us into dishonest behaviour.

5.2 Better training of public servants

It is difficult to develop the specialized skills to any degree and to achieve the envisaged efficiency and morality targets if the individual has no professional security. The poverty of knowledge only gives rise to poverty of action and conduct that is at odds with professional ethics and healthy personal honesty.

The meaningful assumption of public responsibility requires officials to maintain high standards of professionalism and ethical conduct, based on formal study, scientific research, ongoing refresher courses and practical experience.

Education in all its forms is the starting-point in the search for solutions to the moral problems with which States are now faced. In its highest and deepest sense, it educates the citizen, shapes the professional to play a useful role in society and awakens a sense of authenticity, a critical sense of the environment in which we live, an appreciation of rights and duties and a highly developed sense of moral and ethical responsibility with regard to society.

If we want to establish a body of public administrators with a well-developed sense of professionalism, responsibility and moral integrity then we must continue to provide training to enable them to acquire those qualities.

5.3 Establishment of a code of ethics

In fighting corruption it is also important to ensure that the public administration has a code of ethics, with legal and restraining force, so that all holders of public office are aware of the obligations and restrictions that must govern their actions and maintain the fundamental objective of serving society.

5.4 Political commitment

Alongside all the measures to combat corruption that are described in this report, it is our opinion that the most important factor is the political commitment to succeed.

If corruption in government is to be controlled, there must be a political commitment, coupled with a firm desire and an unshakable decision to succeed. If those in the highest echelons of power really take a tough stand on corruption, the results will be clear for all to see. If there is a political commitment, it will be possible to take all necessary steps to bring government corruption down to manageable levels, although it may be well nigh impossible to eliminate it completely. The measures that require political commitment include the application of sanctions, as set out in the relevant legislation, without allowing any political influence to come into play.

It is important not to confuse political commitment with political reprisals or political persecution. A political commitment is a firm desire to bring morality into public affairs, without bowing to public figures or political trends. Political persecution occurs when one points the finger only at corrupt individuals in the other party or in the previous government. The former is praiseworthy, but the latter is an abuse of power to achieve particular results, which is tantamount to an act of corruption.

Every citizen must therefore insist that his rulers display an unshakable political commitment as this is the only platform on which to envisage a far-reaching campaign to cut corruption to reasonable levels.

**3. France:
The role of supreme audit institutions (SAIs)
in fighting corruption and mismanagement**

Introduction

In addressing the subject, I started out from some general considerations for whose lack of originality I must apologise.

First of all, I am convinced that it is impossible, even futile, to look for a simple, single and omnivalid answer to the issue at stake. Drawing on Plato I would say that corruption, good and poor management, are clearly defined and exist only in the realm of "pure" ideas, of which we perceive mere "images" or shadows of those concepts, those ideas in the different caves - representing our individual national systems - which we inhabit. This relativity obviously applies to supreme audit institutions. Every SAI is embedded in a particular cultural, socio-political, and institutional system: its powers and functions can only be explained by taking a look at the environment in which they operate.

In order to be effective, our approach should focus on an intermediate level of generality, between the pure idea of Plato and the pure idea having become practical (cherished by Kant) by definition once we have returned home.

SAIs are part of a system of institutions embedded within society, the stability of which is a proof of internal coherence: the role of one element can only be grasped if that of all other elements is discussed as well. Using the term "society", we should be clear that words and expressions may have different meanings in the various societies. This holds true in particular for corruption and sound financial management. It is only very recent in history, that the enrichment of those in power, by virtue of their office, is considered a reprehensible behaviour. Today still, the definition of good management strongly depends on the angle from which it is looked at.

Second general remark: let us apply this approach to the concept of corruption. A concept as old as the world: what varies are its forms, and manifestations, and the political attitudes adopted vis-à-vis it (I am using the term "political" in the widest sense of the word.). In this respect, one may ask oneself why international organisations make it one of their themes of thought and even of action. As always, there are reasons beyond every doubt, and others which are less so.

- Historically, there is the progression of the "democratic" running of societies. The sensitivity vis-à-vis corruption is proportionate to the degree of participation by the citizens in the management of public affairs. Moreover, I see some connection here between our topic and the introduction of a conditionality of aid being tied to a certain "degree of democracy", a conditionality which is invariably unilateral.
- The upheavals affecting the professional codes of ethics in the rich countries, and more generally in what is called the Western, Christian-Judaic cultures.
- The crisis of public finance.
- The internationalisation of fraud and drug trafficking. The fraud committed against the European institutions is a case in point. Again we should be keeping to relative terms: I am thinking of large-volume contracts and military expenditure.

Before delving into the technicalities and tools of supreme auditing in its fight against corruption and mismanagement, we should pause for a moment:

Although my words are very much marked by my own experience (for lack of time and of knowledge), which is that of France, I have tried to draw on information which I had of international experiences. In Europe, there are several organisations that group supreme audit institutions, and plenty of opportunity to compare the different methods and organisations. From this comparison, I have come to believe in many instances that the French system is not a case in point - and I am cautious of every speaker who thinks his system to be the best. Around me, I have encountered rules and practices which I would like to apply in France, and for lack of authority to do this at home, I will do it here. The first part of my presentation will therefore be devoted to a summary classification of SAIs, for which I will use two general schemes allowing me to classify the principal models of SAIs.

Having looked out onto the world, what line of reasoning and what assumption have I arrived at?

- 1) Today, the answer to the question of our studies will remain at the national level. A truly international approach to the fight against corruption and mismanagement will always remain of marginal dimension.
- 2) Looking at every national system, the first and doubtlessly most important contribution SAIs can make to fighting corruption is to perform the regular tasks assigned to them in

a sound manner. This is the cornerstone of any mechanism that aims to assure the orderly and efficient management of public funds. By doing so, SAIs take on an indispensable and effective preventive function in the fight against corruption.

- 3) The contributions SAIs can make to fight mismanagement and corruption will be all the larger, the more effective SAIs operate.

We should therefore ask ourselves how the effectiveness of an SAI is determined: this will constitute the third part of the introductory presentation.

- 4) Ultimately, we should return to the international level. The international manifestations of corruption and mismanagement, concerns about better management and economy which surface within the international institutions, the development of supranational institutions, the importance of a lobby or pressure group of auditors being established vis-à-vis policy-makers - who are exposed to temptation - and vis-à-vis the omnipotent corrupters, are all elements which warrant the rapid development of a new chapter of international cooperation.

I. Summary classification of SAIs

To treat our subject correctly, we need to know - roughly - what type of SAI we are speaking of. All SAIs have two things in common: they do external auditing, and they audit after the fact. However, they may perform other tasks, as well. In any case, the ways and means by which they practically exercise their mandate differ greatly.

To limit the inconvenience of the relativity inherent in the subject under discussion, I have tried to set up an analytical framework of national-specific situations by grouping them around some reference models. Along these lines I am proposing two classifications:

- the "administrative" approach, i.e. the traditional classification, based on the position of the SAI in the system of constitutional powers, and on the main characteristics of their legal embodiment;
- the "spirit of the law" approach, inspired by administrative science, which is based on a need for audit which SAIs purport to respond to.

A. Organisational set-up and position of SAIs within the system of institutional powers

SAIs can be grouped into four families:

- SAIs organised as courts: e.g. France or Brazil.¹
- SAIs directed by a collegiate board or a personage who is at equidistance to the executive and the legislative branch of government (the German Bundesrechnungshof): an independent president (e.g. Landesrechnungshof in the German state of Hessen), a collegiate body (in the state of Baden Württemberg);
- SAIs as independent institutions reporting to parliament (Canada, Quebec)
- SAIs as part of the executive (Sweden, Finland).

¹ Despite of its status as a court, the Cour des comptes is organisationally linked to the Ministry of Finance in administrative and budgetary matters. The latter will, in the last resort, decide on the funds allocated to the court of audit as a court exercising financial jurisdiction.

This classification results from the answer to the question: which authorities are the direct users or beneficiaries of audit results? When the French Cour des comptes passes a judgement on the accounts presented by the accountants ("comptables"), it works for the Ministry of Finance, and for the financial managers ("gestionnaires")! When it transmits information of detected irregularities to the Public Prosecutor ("notes") or to the ministers ("référés"), it works for the government! When it draws up a report on the execution of a finance bill, it acts on behalf of Parliament. It does not directly communicate with the citizens, because the reports addressed to the public constitute only one part of the work of the Cour des comptes, and their publication is the last step in a protracted process of information exchange between the auditors and their "direct clients", the financial managers.

Clearly, pure-bred institutions do not exist today. All SAIs bear traits of several of the mentioned categories. All SAIs, for instance, must audit and certify the accounts of the institutions under their jurisdiction. Some SAIs issue certifications, some pass judgements, all outsource some of these functions (to government departments, or to private third-parties).

All SAIs must equally audit for regularity. This still accounts for at least 40% of the auditor's time.

While all may draw findings from financial and regularity audits, which they submit to the financial managers, not all have the possibility to bring all or some of these findings to the notice of Parliament and/or the general public.

However, not all SAIs may take action with a view to advising government or parliament; and not all are entitled to give an a-priori opinion on projects or drafts. Finally, not all face public entities like the UK Audit Commission, which are obliged by law to prepare a list of performance indicators on a regular basis to improve the quality of management.

B. The approach by the "spirit of the law"

Studying a sample of five European SAIs, two researchers¹ found a criterion that could be used for a further division in two sub-categories: to what extent do SAIs, by judging from their public statements, use the same criteria they apply to assess the activities of their clients to justify their own work, or to measure their efficiency? With the answers to this question,

¹ Christopher Pollitt and Hilka Summa. Paper of 10 August 1996 entitled "Reflective Watchdogs? How Supreme Audit Institutions Account for Themselves", prepared within the framework of a project on : Performance Audit. The SAIs studied were the UK, Sweden, Finland, France, and the European Union.

we can divide SAIs in two groups, which the authors refer to as "constitutionalist" and "managerial". In their reports to the public, the SAIs in the latter group attach great importance to assessing their own performance by using the same tools they use for auditees. The former group, the "constitutionalists", hardly use these criteria when defending and illustrating their work.

The constitutionalist type

By constitutionalist, I refer to those SAIs whose tasks and prerogatives are largely defined by law or statute; mostly for historical reasons: their set-up as specialised law-courts dates well beyond the foundation of the democratic state (e.g. in France); or for political reasons: e.g. the European Union Court of Auditors: its "supranational" character necessitated a definition in law of its tasks, and the enforcement of a legal status which establishes its precedence. Within this group, sound management means respecting the law, especially, the law applicable to the state and to the management of public funds. It was the primary task of SAIs to give security to the sovereign, then to government and parliament. The unbiased manner in which they conduct their activities is reflected in the judicial approach to auditing, and in the implementation of a law on public financial accountability. This explains the strict separation between the "*ordonnateurs*" (authorising agents) and the "*comptables*" (the accountants) in France and the existence of a court of budgetary discipline, which passes judgements on the managers of public funds (the "*ordonnateurs*" as against the "*comptables*") having committed serious irregularities.

SAIs of the "constitutionalist" type pay little attention as to how they justify their existence or the quality of their work in the reports they address to the public. Likewise, they are hardly concerned about the effectiveness of their work, and the consequences of their investigations.

The managerial type

The very existence and the functions of SAIs are the product of concerns to bolster the "natural" duty of those in power to deliver economic and financial accountability, or attaining value-for-money.¹ Their main task is to measure the performance of public activity, or

¹ By its very nature, government must strive to attain a whole range of different objectives. One is achieving value for money, and to this aim, my office (i.e. the Office of the Auditor General of Canada) was mandated to conduct audits.

compliance with the famous three E's of the Anglo-Saxon world (economy, efficiency, effectiveness), or "Wirtschaftlichkeit" in the German-speaking world.

A look at history corroborates this two-fold distinction. The French Cour des comptes was originally a technical arm of the sovereign: it had to ensure that the books were properly kept, but in no instance could it criticise his decisions. Originally, the advent of the Republic did not alter things, as the management of public affairs continued to be subjected to a separate law, totally aside from common law. External financial control is such governed by existing regulations, most of which are of a judicial and procedural nature. The work of the SAI should not perturb the relations between the powers of government (especially between the executive and the legislative branches).

The history of the managerial-type of audit institutions is generally much shorter. They were set up in societies, in which unity of the law was the rule¹, where the taxpayer is the beneficiary of audit (even before the citizen, who directly or indirectly benefits from public spending), and where the prevailing form of management - used as a model - is that of the business enterprise.² The United Kingdom, Sweden and Finland belong to this family: in their public reports, they attach great importance to presenting their effectiveness and the efforts undertaken to even strengthen this effectiveness by assessing the cost of audit, by ascertaining the savings (or additional revenues) resulting from their audit findings, and by disclosing the measures which were taken in response to the audit and the findings.

This analysis is of two-fold interest. It underlines the well-known differences between the Latin and the Germanic world, in which the law and reference to the written text reign supreme, and the Anglo-Saxon world, where reference to generally accepted rules from the world of business, and the assessment by multiple criteria constitute the auditor's - and not the "controller's" - daily fare. We find two poles emerging from this analysis, around which the term of sound management is built, regularity at the one end, and economic, efficient and effective management of public funds at the other.

If we stick to these criteria of classification - which may prompt a discussion - the multidimensional character of sound management and the need for a further breakdown becomes evident, if we want to limit the risk of engaging in an abstract debate.

¹ Unity of the law means the absence of a public or administrative law which is distinct from private law.

² The regional accounting chambers of France illustrate this strong influence of history. Created only recently (1983), they were given rights which not even the Cour des comptes enjoys, and which clearly respond to the concern for performance auditing: i.e. the right of intervention to avoid or remedy a situation of financial imbalance. However, they exercise this right only in exceptional cases, when seized by a local representative of the state. And the latter may choose not to seize the Cour, or to seize it belatedly.

II. Auditing and the fight against corruption

From a brief comparative analysis it becomes clear that fighting corruption is never a task SAI's are officially entrusted with. Does that mean that propriety has nothing to do with the regularity of operations, or with the sound use of public funds? Certainly not! By fully exercising their role as watchdogs over the discipline in public finance, SAI's contribute to fighting against corruption, though in an indirect manner.

Regardless of the constitutional position of SAI's, and of the definition of their tasks and responsibilities, SAI's strive to improve government financial management. If this contribution is to be improved, it is necessary to split up this general task into sub-tasks, and to identify the factors which determine the effectiveness of SAI's in all their sub-tasks.

A. The general tasks of SAI's

Which elements do they contain? In a logical order from the orderly keeping of the accounts to performance auditing.

The various stages of audit, starting from the most traditional to the most complex forms, or from the most backward to the most modern approaches, are the following:

- looking at the conditions which govern accounting and accountability;
- assessing compliance with decisions of budget authorities (parliament) by the financial managers (ministries and public institutions);
- audit of regularity of operations performed by the financial managers: in general, every category of expenses is governed by specific regulations (staff, public contracts etc.....);
- examination of the conditions governing financial management from an "economic" point of view, value-for-money, performance auditing;
- role as a consultant: the capability to assess plans/drafts, and not only completed projects, obligation to comment on legislation affecting public-sector financial management, etc.¹

¹ The involvement of the French regional chambers of accounts in budgetary auditing falls within this category.

In French, accountability ("la reddition des comptes") does not only apply to accounting records. It is a political principle which subjects bodies and authorities, in particular government agencies, to external audit, and requires them to account for their actions in a general manner. Accountability first and foremost aims at limiting the discretionary power of the bureaucratic apparatus by means of strict rules and regulations.

Accountability exists where leaders spontaneously delegate their powers, where the subordinates use the discretionary powers trustfully, and where the abuse of power is not disguised, but punished under the law irrespective of all political affiliations.¹

Let us take a look at the narrower, technical sense: accountability starts with the submission of a financial report on income and expenditure², on the way in which the resources at the disposal of government agencies (especially human resources) are used, and on assets.

It is the primary task of all SAIs to ensure that the public accounts are kept, and that they are soundly kept. Depending on the different countries and the different organisational set-ups, the accounting charts and the accounting systems may vary. Auditing for the quality of the financial statements always takes an important place that should not be underestimated. The French system attached that much importance to public accountancy, that this function was singled out from the responsibility of the financial managers ("gestionnaires"). The public accountant does not belong to the institution for which he keeps the accounts. He is an official subordinated to the Ministry of Finance. In this set-up, the public accountant becomes a controller at the highest level. He keeps the accounts, which may be reconciled with those of the financial managers, and ensures that the income and expenditure records, which are precisely listed in the law, are submitted. The German "Vorprüfungsstellen" (pre-audit units) in the payments-effecting departments, in some way work for the account of the SAI. And if the accountants are civil servants in these very institutions, they are subject to specific service regulations (conditions of appointment and of dismissal).

Experience shows that this first level of audit remains a subject of concern. The first two global reports submitted by the Cour des comptes to Parliament on social security, with several illustrating examples, demand more clarity in the accounts, especially the presentation of hard and fast figures for aggregate publication. The Cour demanded inter alia to clarify the

¹ Quotations from "Reddition de comptes, rapports sur la performance et vérification intégrée. Une vue d'ensemble". Published by the Canadian Comprehensive Audit Foundation in 1996. Canada. Ottawa.

² This implies the implementation of accounting charts and instructions, and the availability of competent accounting officers.

relations between the government and the social security provider. Its work contributed to the signing of an agreement on 2 May 1994 between the State and the authority responsible for levying social charges. We all know that breach of integrity, and accountancy beyond any reproach (complete, true and fair) make an odd couple.

Figures also come into play in the second aspect of audit: the assessment as to the compliance between the financial decisions (or decisions having a financial implication) by the financial managers and those of the budget authority (Parliament). The vast majority of SAIs are mandated to report to Parliament on the manner in which the government has executed the budget.

Again, I am not singing the praises of a historically important task for memory's sake, secondary today, as good practices have become second nature. I will illustrate my point by taking the French example. From the critical findings put forth by the Cour des comptes between 1992 and 1996; I should like to single out:

- the rules on the use and on accounting for income from privatisation were modified each year;
- hidden risks (through guarantees) are not reflected in the national accounts;¹
- poor preparation (the assumptions lacked credibility) and execution of the Finance Bill.
- With regard to balancing the budget, i.e. the single-handed decisions made by the government during the financial year to block budgetary appropriations, the Cour concluded its examinations by underlining that "the competent minister has less and less control over the budget he is accountable for, and the prerogatives of Parliament are disparaged, especially by the partial or complete cancellation of the measures in the original finance bill."
- The audit of financial operations proper starts with an examination of the regularity, or, in any case, with a statement of irregularities identified in the conduct of financial operations under audit. One of the key risk areas in this regard are government contracts (public works and procurement).

¹ This criticism had a positive effect: since 1995, the budget includes an annex with a list of state-backed loan or financial operations. However, the Cour de comptes found that many financial commitments, direct or indirect, that had been entered into in 1995 and 1996, were still not reflected in the national accounts.

As one of its spin-offs, and a good case in point, regularity auditing leads the SAI to transmit criticism it considers justified of existing regulations, and desirable remedial action, as the case may be, to the authority competent to issue these regulations. This is true in particular when the rules imposed on one category of corporate body are defined by any other decision-making entity (in France, for instance, by the state, as far as the local entities are concerned.)

- This leads us to performance auditing, or comprehensive auditing, as it was defined elsewhere. Financial auditing and compliance auditing are established processes, the term "comprehensive auditing" denotes a more complex approach which aims at assessing performance in general: to what extent was the management of public resources economic, efficient and effective?¹

With the growth of the public sector and the associated funding crisis, this function has become more and more important. On a highly pragmatic level, it is reflected in the global examination of a department, institution or programme, the review of similar measures implemented by the different entities. At this first level of performance auditing, in France, we speak of the audit of services rendered: the matching and recording of expenses and the compensation received. Depending on what is asked from the auditor, he may resort to more sophisticated instruments such as a cost-benefit analysis, system analysis; audits conducted within this framework may be limited to a statement of advantages and disadvantages, of strong points and weak points, but they may also give rise to recommendations, to the assessment of savings potentials, etc. The most advanced form is reached if SAIs have the capability or the obligation to assess the financial and/or economic impact of projects and programmes before their implementation, or are called upon to comment on draft legislation relating to government management, especially financial management.²

¹ The concept of comprehensive auditing rests on two management principles:

- that public matters are administered in a way which allows the best possible use of public funds. Those responsible for the use of funds must make sure that the result of their decisions are public institutions which are economic, efficient and effective.
- that the public administrators are accountable for the prudent and efficient management of resources entrusted to them.

For example, the laws governing the State Court of Audit in Hessen stipulate that the Court shall audit in particular, whether

- the tasks were conducted in an economic, efficient and effective manner,
- and look at whether they could not have been accomplished more efficiently with less staff or operating means, or by applying different procedures.

² The SAIs in Switzerland, New Zealand and Brazil are involved in the elaboration of legislation affecting public financial management.

In the case of France, one may assess the growing importance of the latter approach by looking at how the public reports of the Court developed: formerly there used to be only one public report, now there are several. Some reports are annual, such as those devoted to the execution of financial bills and to social security. Increasingly, special reports tend to be published on special items (e.g. The organisation of spas - Decentralisation and secondary higher education - Decentralisation and social policy - The grants given by territorial entities to business enterprises - Social housing policy - The public water and waste-water utilities, etc.....). Evidently, the study of a specific field includes the assessment of the activities of the players concerned, the evaluation of the programmes they manage, and the formulation of findings and recommendations for the future.

- The French SAI is obliged to pass a judgement on all the accounts submitted by the public accountants. In this process, financial audits (certification) and compliance audits (regularity) are merged. It must devote a significant part of its means to the judicial accounting controls, at the cost of assessing performance. A system of pure performance auditing would need an audit organisation which is unencumbered by the certification of accounts. The latter favours an analytical approach, by bodies corporate, at the detriment of a review of functions, by type of expenditure, by general policies (by sector).
- In the final analysis, SAIs' priorities are largely determined by the type and intensity of the need for audit addressed to them, provided that the rules of the game lay down clearly who is entitled to address such demand and that, but for exceptional cases, the taxpayer has very limited rights, even though many, and even audit institutions, purport to speak on his behalf. Upon rapid analysis, one might be led to believe that the demand for audit, especially performance audit, is closely linked to the degree of autonomy of the executive and legislative powers vis-à-vis each other. The demand for audit is rather poor when the powers have accumulated in the hands of a few, or when there is a political interest to limit the potential for conflict. The demand for audit is stronger, when there is i.e. a large consensus among the political and social forces on the essential rules of the game, and when there is a distinct separation of powers.

B. The auxiliary role of SAIs in the fight against corruption

Against the backdrop of accountability, SAIs could no longer deliver their tasks in a satisfactory climate and would even become ineffective, and counterproductive, if their actions

were based on a general doubt concerning the financial managers, not only a doubt of poor management, but even more destructive, a doubt of lacking integrity. This aberration would be all the more prejudicial as sound management which is concerned with the good use of public funds creates the most unfavourable environment for those who might be potentially tempted to actually cede to temptation.

SAIs therefore can, indeed, make an effective contribution to eliminating and fighting what is wrong by prevention, detection, and punitive sanction, if necessary.

Prevention

A. Detection of flaws in the organisation of departments, or identification of risk areas:

- public contracts awarded by the State and territorial entities
- delegation of public services
- areas where lobbying is highly active
- associations subsidised by territorial entities
- urban housing, including social housing and commercial construction
- expenditure on information and public relations
- sports
- the subsidies for agricultural markets (for the European Union), etc.

Systematic auditing helps to indirectly assess the existence and implementation of a-priori or concomitant audits which are outside the sphere of competence of SAIs. In contrast, audits which are excessively performance-oriented tend to overlook irregularities, which might be an indication for wrongful behaviour.

B. The exposure of the weaknesses of the rule-of-law-governed state, gaps or shortcomings in regulation and in the organisation may encourage bad management and hence pave the way for fraud and corruption:

- Shortcomings in the rendering of accounts and firstly in the recording and posting of budgetary and accounting operations.
- Lack of controls and internal audit.
- Excessive regulation which may either lead to contradictions or dilute responsibilities.
- An excessive concentration of power with certain positions.

C. The publicity - or even limited dissemination - of audit results

Detection

Mechanisms which impose a systematic and periodic audit are conducive to detection.¹ Detection is possible by regularity auditing and by performance auditing, although there are limits.

● Audit of regularity and compliance

There is always a moral side to rules which are designed to ensure the safety of financial operations, if we think of

- the separation between those who authorise and those who effect payments, and management without mandate ("gestion de fait") as its prolonged arm,
- the rules that apply to public contracts;
- the rules relating to the service code and to the remuneration of public officials.

● Management audits

Within the framework of management auditing: audit of services rendered (qualitative and quantitative) compensation for expenditure; full-cover examination of income, protection of assets; detection of whether procedures were circumvented; abuse of authority, etc.

However, there is a limit as to what is detectable:

- Timeliness: audits may happen several years after the facts.
- The insufficient frequency of audits.
- Powers of investigation: although relatively extended, they are still confined to what directly affects the government accounts. It would be interesting to find out at this seminar about the scope of the rights of follow-up and the right to obtain information with third-parties enjoyed by other SAIs (In France, information may be requested from

¹ The creation of the regional chambers of account in France has allowed for a more frequent and more intense control of the public entities and institutions at local level. It therefore had a revelatory effect.

contractors, banks; government departments may be asked to submit an account of all transactions performed with all individual contractors?)

Punitive sanctions

In exceptional cases, SAIs are involved in enforcing punitive sanctions against corruption.

It is a rule that SAIs shall - or may - inform the judicial authorities of findings which they believe may implicate the criminal responsibility of the persons involved.¹

Also SAIs may turn to specialised institutions, if such institutions exist. In France there are two specialised bodies: the Central Protection Agency against Corruption ("service central de protection contre la corruption", SCPC) and an inter-ministerial review board on public contracts.

In exceptional cases, the SAIs themselves may exercise a sanctioning power. In France, there are two forms:

- direct punitive sanction against the financial managers, with the exception of elected persons, seizure of a specialised tribunal or of the court of financial and budgetary discipline, which may impose a fine;
- indirect punitive sanction by a special procedure ("déclaration de gestion de fait"), in which a "declaration of management without mandate" is issued for unlawful extraction of public funds, exercise of fictitious mandates, use of unjustified sham constructions It offers a number of advantages:
 - limitation by statute after 30 years (instead of 3 years for criminal action),
 - more extensive options of redress,
 - the fine may reach the amount of the funds misappropriated.

It would be highly interesting to compare the legal situation and current practices in the different countries.

The merits of a separate financial accountability

¹ The number of official informations has constantly grown in France in recent years (some 70 cases each year).

This presentation on the role of SAIs would be incomplete without pointing to the risks associated with the polarisation of public opinion on corruption. This polarisation is reflected by an ever growing judicialisation of public management¹ and by the risk of the various forms of accountability of public financial managers being consistently perceived as an indiscriminate whole. Far from strengthening the role and effectiveness of SAIs, this confusion of accountabilities may complicate their work and weaken their influence.

Auditing generally leads to a positive or negative sanction which emerges from the assessment of the conditions in which a mandate was fulfilled. However, it is interesting to note that, with exceptions, SAIs do not have any powers of sanction in their own right²: they notify the authority that is competent to enforce sanctions of their findings, including the citizen-taxpayers with the help of the information which they may publish, at least if one stays at the national level.

- In democratic systems, sanctions may take two different forms: by election and/or intervention of the parliamentary assembly vis-à-vis which government is accountable. This is what we call political accountability. And the reason why the intervention by Parliament in the reviewing of the audit results is of such importance, as we will see later on. The managerial-type of SAIs, for their part, invoke the interests of the taxpayers. The publicity of reports aims at informing the citizens and any intermediate bodies.
- At the far end of the spectrum, there is the criminal accountability. In this respect, the duties of the managers of public funds are assessed with particular stringency. Their very function is an aggravating circumstance. SAIs, as we have learnt, play an auxiliary role here in terms of prevention and information.

The expanse between political accountability and criminal accountability is immensely wide. It includes irregularities as much as shortcomings in management. Sanctions by the voter affect only those elected to office, especially in countries with a strong administrative tradition. In theory, sanctions are enforced through the hierarchy. Most often, we witness that people are replaced, projects are modified and texts are revised.

Unfortunately, hierarchical sanctions are not automatic. Often, we find that veniality is hard to come by. Moreover, irregularities and errors may be committed by the financial managers

¹ Reference is made here to a trend which leads individual citizens and entire groups to reject the negative consequences i.e. risks of decision-making processes. While it is important to be covered against these risks, they demand that culpable persons must first and foremost be identified and condemned.

² As always, there are exceptions: The Brazilian Court of Accounts may annul decisions taken by a minister, including a decision of privatisation for instance.

acting on behalf of elected office-holders. Also, they may have acted in excess of their delegated powers, which clearly never authorise them to commit irregularities at their own account.

This traditional approach has been challenged by changing attitudes. Increasingly, individuals and groups tend to impose an obligation to perform on public institutions, or demand the compensation for losses if their existing, and even potential, material or moral interests were harmed. Accountability becomes liability, even criminal liability, as litigants rapidly understood that they have a stronger case if they can prove that there was not only omission, but actual fault involved. In an anti-corruption environment, it is only logical that criminal punishment of faults and the prosecution of public officials are multiplying. This process leads to some confusion of what is a fault or shortcoming in management on the one hand, which, depending on the degree of seriousness, leads to the government department as such, or also the official being challenged, and what is lack of integrity on the other. This development is unsatisfactory, as the functioning, even of complex societies, should leave those who act in public with a power of assessment, and should protect them against the risks commonly associated with the exercise of power. This no longer applies if there is a manifest imbalance between the error or even the fault committed, and the sanction that was imposed. The sanction is not only the punishment that was meted out, but - since we are dealing with liability - the moral damage caused by any public challenge of professional competence and, even more so, of integrity.

It is therefore legitimate to ask whether specific provisions for bringing to court financial managers who act upon delegation should not be developed. In France, there are two procedures:

- the "declaration of management without mandate" which is designed to subject financial managers who committed irregularities in activities reserved to the official accountants, to the same duties as the "official" accountants;
- seizure of the Commission on Budgetary and Financial Discipline ("commission de discipline budgétaire et financière , C.D.B.F. ").

I am mentioning these procedures because they give an - albeit imperfect - answer to the question of installing an intermediary sanctioning mechanism, in between asking the voter and criminal conviction. Not every irregularity is an offence, but every irregularity must be sanctioned. The term "offence" should be reserved to those types of irregularities which are associated with corruption in its various forms.

To be effective, we need a clearly defined relation between error and fault on the one hand, and sanction on the other. Some countries seem to have settled a question still under debate: the installation of a separate financial accountability for financial managers, including ministers, which is independent of criminal accountability.

III. The effectiveness of SAIs

Effectiveness is crucial, if we talk about ensuring the regularity of financial operations, of contributing towards better management, and, in doing so, fighting against a lack of probity. What makes an SAI effective? What are the criteria of assessment? Clearly, the answer will depend on the angle from which we look at things. Among audit professionals, it would be inappropriate to delve in socio-political considerations. Experience has taught us that tasks can be accomplished more or less efficiently, and that performance depends on the internal factors that govern SAIs, as well as on the audit environment.

A. External factors:

External factors are those which do not relate to the SAI as such. Here, I differentiate between the prerogatives (powers given to SAIs by the Constitution, the law, customary practice), and context-related elements (practices and attitudes of the SAI's partners).

SAIs' prerogatives

The prerogatives enjoyed by an SAI can be ascertained from the answer to the following three questions: Has the institution the means to see, to speak, and to oblige the users of its reports to take responsive action?

In this respect, the independence of the SAI and its members is a prerequisite. To judge from literature, all SAIs consider themselves independent, even though the ways in which it is guaranteed may differ greatly. This has to do with :

- the legal embedding of SAIs. It has already been stated that, in many cases, their tasks and the general principles that underlie their work are laid down in the Constitution. Under the Treaty of Maastricht, the European Union Court of Auditors was elevated to one of five institutions set up by the treaty, which are basically independent from one another. Often, the SAI has all the attributes of the judicial power, at least as far as the status of its members is concerned;
- the conditions of appointment of the head of the SAI or the collegiate body that directs its (for life, for 12 years, by a qualified majority vote of Parliament, as the case may be) as a safeguard against potential pressure.

The unanimity in this field deserves a closer look at the matter. Independence can only be rightly assessed, if the situations in which this independence was challenged or threatened - or even safeguarded at the cost of self-censorship - are identified. Of course, there is a price to pay for independence: e.g. the rules of incompatibility which strictly limit the auditor's professional room for manoeuvre.

This means that independence equally has to do with the legal, administrative and economic status of the auditor.

Inspection - The means to see

Effectiveness depends on:

- the competencies. Some forms of action are subject to the seizure by a third-party authority, which may or may not enjoy discretionary powers.

In recent years, this field has become wider: let's take the current debate in France on the bodies drawing on the generosity of the public as an example; or the debate on the local health insurance providers, and the Federal Railways (and its successor companies) in Germany.

- freedom to draw up audit programmes

In Germany, the discretionary power of the Federal Court of Audit (Bundesrechnungshof) is enshrined in the law. In France, the Cour des comptes is free to draw up its programme, but it must pass a judgement on all the accounts kept by the public accountants, which constitutes a considerable constraint (These judgements are necessary to grant discharge to the accountants).

- scope of investigative powers

Auditors generally have full power to examine documents and to question auditee representatives. Also, they are vested with coercive powers vis-à-vis those who refuse to comply with their demands. However, there are also more delicate fields of investigation:

- Do SAIs enjoy the same prerogatives as the fiscal authorities?
 - Do SAIs have a general power of investigation and communication vis-à-vis various government departments which might have been involved with the auditees?
 - Are they entitled - as is the case in France - to audit any dependent bodies of these institutions staffed with public accountants (associations and satellite companies), if they wish to do so?
 - What is the relation of SAIs and the judiciary, the police? Most often, they are entitled to obtain access to specified documents, but they do not have a power to conduct searches.
 - What is the scope of their follow-up rights: are they entitled to obtain from third parties any information concerning the relations they might have had with the auditee? A law recently passed in France has vested the financial judges with a right of partial access to the accounts of public-service contractors (water and sewage utilities, for instance).
- the amount and the quality of resources SAIs may deploy. This concerns:
- Budgetary allocations
In France, the means allocated to the courts of audit are a part of the budget of the Ministry of the Economy and Finance. Funds are appropriated at the same conditions as to other departments i.e. estimates must be substantiated (i.e. negotiated) to a very fine degree of detail.

In other countries, SAIs enjoy budgetary autonomy. The budget is set up in a separate procedure.
 - Human resources
In many countries, the head of the SAI is the actual employer. In others, he has the full right of recruitment, but the recruited staff then become civil servants. In France, recruitment is governed by laws and regulations which leave little latitude to the courts of audit themselves, and lead to a considerable degree of homogeneity in the profile of audit staff.

- Expert know-how

Do SAIs have the means required to cope with the various fields of audit, both technically and intellectually:

- * computer programmes
- * medical services
- * public works and construction
- * defence equipment
- * environment, etc. ...?

This is a key question, which may be answered in at least two ways

- * SAIs have the required expert staff
- * SAIs are able to contract for outside expertise.

A study of the specific practices in this field would reveal how effective auditors actually are.

It is interesting to note that, in a number of countries, SAIs doing ex-post audits are forced by law to resort to private specialist services (accountants, experts). Does this practice limit an SAI's independence, especially its intellectual independence?

Communication - The means to speak

This heading covers the arrangements which govern the elaboration and use of reports on audit activities.

How investigations are conducted and conclusions drafted

Can auditors decide for themselves how they conduct their work? Evidently, the contradictory procedure is one of the preconditions for the pertinence of the statement of findings, and at the same time ensures that the rights of the auditees are safeguarded. Any overly formalist approach that is modelled on the judicial procedure may excessively slow down the audit, and may cloud the resultant message.

Because of this risk, some prefer statements of findings ("constats") to recommendations, and a statement of digression from the norm to a judgement or sanction.

How decisions are elaborated and expressed

What influence on effectiveness may the choice between the following two procedures have:

- the classical administrative procedure: the person (or team) of auditors will give an opinion, through the head of the institution, as the case may be;
- or the collective procedure: the audit opinion is always the result of collegiate deliberation? Or of a tribunal?

Report users. Degree of publicity.

How is the auditee opinion expressed? To whom are the reports addressed? And what about the degree of publicity of these reports?

One special aspect of this question deserves our attention: the nature of the relationship between the auditor and the courts, especially those in charge of prosecuting offences. Is there a reciprocal obligation to inform? How does this mutual exchange take place?

The power to elicit response to audit statements

Which prerogatives and powers do SAIs have to obtain a "response" to their statements?

Such response could be:

- the duty (or possibility) to comment

In France, auditees are obliged to submit a written response in all reports designed for publication;

- the duty to present justifications at the request of the auditor

In France, this obligation exists vis-à-vis the accountant by law, and in situations of management without mandate. Accountants are obliged to respond to questions and present justifications demanded by the auditor, which are called injunctions ("injonctions"), otherwise they will be fined.

– an obligation to act

- Do SAIs have a right to issue injunctions?
- First of all in the financial area: can the audit body order the repayment of unduly paid amounts or the payment of non-collected receipts? To recall, in France such a power exists vis-à-vis the accountants even though various arrangements cushion the impact on their personal wealth.

When talking about the administrative and political follow-up, a distinction should be made between the capacity to comment, and the capacity to make proposals:

- vis-à-vis the administration: do auditors propose modifications to the rules of the game they believe to be deficient or inappropriate (see Notes by the Parquet of the Cour des comptes to the ministers);
- vis-à-vis policy-makers: what is the nature of the relationship between the auditors and the deliberating bodies (regional parliaments, regional, general, municipal councils), the relationship with the executive (government, the mayor, minister etc.)? Here we find two contrasting situations:
 - After the auditee comment, the auditor submits final conclusions with or without suggestions, by which only he himself enters into a commitment.
 - The resultant conclusions and recommendations are discussed between the auditor and the auditee either directly, or through the intermediary of a parliamentary committee (as in Germany). The recommendations form the basis of decisions which are spontaneously taken by the auditees or imposed by a parliamentary body.

In more general terms, is there a follow-up and a disclosure of results of audit? In the annual report of an SAI I read: " with regard to value-for-money, 75% of our recommendations had a positive follow-up and contributed to an improvement of financial management."

Is there an instrument of periodic follow-up or reporting?

What about the effectiveness of intervention (especially by publication)? In France the final observations put forth by the *chambres régionales* on the financial management of the territorial entities become public rapidly.

The answers to the question under this heading depend on whether we are talking about legality, regularity, efficiency or effectiveness auditing.

This reformative power becomes all the more effective if SAIs participate in the decision-making process. This may hold true for the budget preparation (in Germany), for the elaboration of rules and regulations on financial management (public accountancy procedures for income and expenditure, etc. in New Zealand), or for the assessment of projects and programmes (e.g. the *Landesrechnungshof* of the German state of Hessen).

The fact that SAIs are endowed with quasi-regulatory powers reflects a strong consensus on the usefulness of external auditing. Indeed, SAIs are more effective if the environment in which they operate favours their becoming active and is interested in the findings and recommendations.

Environments which are more or less favourable to auditing

Two factors seem important in this regard:

- how the political powers are organised;
- the development of internal control mechanisms.

The demand for audit will be stronger if the organisational set-up of the political powers is based on a strict separation

- mutual independence of the institutions, especially of parliament (legislative power) and government (executive power). Some SAIs are an arm of Parliament. Most work for Parliament and the government at the same time, depending on their legal bases. If the executive retains a factual preponderance over the legislative due to technicalities (setting of the agenda) - or due to political means (majority party anxious to defend the government), then the SAI will find itself in an uncomfortable position: Parliament is not very keen to take stock of all the weak points of government, and government does not wish a third - well

informed - party to develop Parliament's sense of criticism. Equally, political systems in which the accumulation of official functions is common are not favourable toward audit: the number of the SAIs' interlocutors will diminish.

The civil service

At the limits of politics and the administration, the legal and economic status of public service is a fundamental element in its environment which has an impact on the auditor's effectiveness. There are numerous examples where the SAI is the only defender of professional ethics and of a culture of regularity and sound management.

Auditors encounter more favourable working conditions if their "clients" have established effective internal control and evaluation systems.

Because of the separation between the functions of the "ordonnateur" (person authorising payments) and the "comptable" (accountant, who effects payments) in France, the latter becomes a true internal auditor. The German pre-audit offices certainly play an analogous role.

Obviously, excessive a-priori controls and an over-specialisation of tasks to be fulfilled by different authorities may equally encourage fraud and corruption. A concentration or dilution of power is likewise amenable to criticism. This is why some have been calling for the drafting and implementation of manuals of procedure, and for clear-cut and realistic job descriptions. This encourages a better definition of responsibilities which may legitimate a cutting-back of the bureaucratic machinery.

The existence of performance indicators which the financial managers must publicise and which form the basis of an examination at first level (cf. the performance indicators imposed on the local authorities in the UK).

The highest level of internal control and account rendering manifests itself in a procedure of "declaration of the authority responsible for financial management". This declaration contains the objectives and programmes, and gives a regular account of the results obtained, by justifying the divergences found.

Some SAIs encourage the "declaration of management" approach : here the audited body must list the objectives it is pursuing, and justify the way in which it uses the funds available

to attain these objectives, and to present the results actually achieved.¹ In the United Kingdom, the territorial entities must publish each year the value attained for a number of performance indicators. By analysing these indicators, the SAI can determine sensitive areas with a weaker performance. Others have opted for the inverse method: after having explained the performance of the best, they can easily detect weaknesses of the others and exercise pressure so as to encourage them to take the necessary remedial action.

The only thing SAIs then need to do is to look at how seriously this exercise is conducted, and to sanction its results. Humorously, the authors of the above-quoted study believe that the general implementation of this last stage of internal audit would lead to a dying away of SAIs, especially if they apply performance auditing to themselves!

B. Internal factors

The conditions of internal effectiveness

Does the audit institution function effectively? Does it make the best possible use of its prerogatives?

Physician heal thyself! How can we speak of the effectiveness of external audit without assessing the effectiveness of the auditor as such? Who can audit the auditor, if not he himself?

Audit activities can only be judged upon, if there is a systematic follow-up.

And if there exists such follow-up, the systematic and rational compilation of information on the audit activities will give rise to an assessment of its effectiveness only, if the criteria of effectiveness were first defined.

- How do SAIs account for their activities?
- How do they conduct their audits?

The answer to these two questions should provide some clarification.

¹ State of Canada, province of Quebec

How do SAIs account for their activities?

The answer to those questions again can be furnished by recalling the distinction previously made between the constitutionalist and the managerial-type of SAIs.

- The former submit an account of their activities, on the conditions that governed the allocation of funds. They produce statistical data on every type of activity. In their account, they hardly insist on the results that were attained by their actions.
- The latter, in contrast, try to prove that they apply the same criteria to their own work which they use to judge the performance of their clients. The indicators they use illustrate either the gains that were made by their activities (less expenditure, extra earnings), or the progress they are achieving in improving the ratio between the cost and the outcome of their activities.

Regardless of which family they belong to, SAIs tend to closely follow up on the fate of their recommendations, or on the decisions taken in response to these recommendations. Not surprisingly, the best ratings are achieved by those SAIs whose products are discussed in Parliament. Such discussion will normally lead to an expression as to the fate of the recommendations drafted by the auditors, often after discussion with the auditees. (In the 1994-95 report of the German Bundesrechnungshof, we find 109 recommendations of this type, without accounting for the repeat publication of recommendations from earlier years).

Are audit activities explicitly based on the criteria of efficiency and effectiveness?

The existence of a work plan, and the way in which it is drawn up and implemented, is a key source of information. Is it adopted on the basis of a first collection of information, which allows to identify

- risk areas
- troubled or exposed institutions
 - (because of a critical financial situation,
 - because of poor organisation,
 - because of the ineffectiveness of their programmes)
- auditees "tagged" on the basis of information of which the SAI

has knowledge of?

(Technique formally used by the Auditor General of Quebec.)

This preliminary stage also applies to the audit of a particular institution. In-depth examinations will follow, once an "auditee familiarisation file" has been elaborated.

To what extent are the work methods streamlined?

Are there norms or references to guide the work of auditors, the compliance of which is easy to verify?

- The usual diligence to be applied during an audit of an institution involves the following:
 - the list of audits to be accomplished. Do the auditors have standard references for costs allowing them to classify auditee activities? (It seems to me that this is the case in the UK);
 - compilations of audit tools or guides for specific audits:
 - specialised by type of institution, by expenditure categories (staff for example), or by receipts, or management instruments (audit of computer programmes),
 - and structuring the use of "scientific" audit methods (audit samples, use of electronic files, simulation of cases to test software).
 - the time to be devoted to a particular institution;
- Will the auditors have to give a precise account and proof of the scope and type of examinations they conducted? Does this information remain within the SAI, or is it brought to the attention of external bodies (e.g. auditees)?

Does every team see to the implementation of its own programme, i.e. the use of its own time, the aim being to record inevitable hazards (sudden audits, unexpected examinations to be performed)?

The quest for effectiveness presupposes the existence of procedures, techniques, even artfulness, to augment the "productivity" of auditing:

- use of modern audit techniques, sampling
- making the auditee pay for a part or all of the audit, depending on the time spent,¹ or by any other criteria

¹ See example of the Gemeindeprüfungsanstalt (municipal audit institution) of Baden-Württemberg.

- outsourcing a part or all of the audit to private-sector professionals. This creates a competitive environment in the way audits are conducted and in terms of cost
- availability of standards (for unit costs) or of organisation schemes etc.

What about the SAIs' human resource management?

It was already mentioned that it is important to have a wide range of different qualifications available to match the requirements of the different auditee institutions and operations subject to audit. Which means are employed for staff development?

Are the quality and quantity of services rendered by auditors measured? If yes, which consequences (in terms of pay or other) result therefrom?

IV. General reflections

- A. The use of the same words often does not mean the same thing in the different systems and therefore should not dissimulate that the effectiveness of auditing is a contingency.

At the end of this study, we are led to confirm the close similarity between SAIs with regard to the tasks they are mandated to accomplish:

- to participate, in the last resort, in the attestation and certification of the public accounts;
- to examine the regularity of financial operations;
 - global regularity:
 - audit of compliance with budgetary authorisations (given by Parliament or the competent assembly)
 - regularity in detail:
 - audit of compliance with provisions applying to every category of income or expenditure;
- contribute to improved financial management. Ensure the "sound use of public funds": improving the ratio of service rendered and the cost of delivery;
- by doing so, curtailing the risks of corruption.

The study also reveals that the weight of these different tasks, and the way in which they are accomplished, varies from country to country. It is clear that there is an explanation for every situation, which will be rooted in most cases in history, and in the political and administrative set-up. But explanations are not necessarily a justification, and even less so a rule or standard.

This finding leads to a first, disappointing conclusion: it is always a difficult and even hazardous venture to try and define effectiveness and how it is measured, especially, if we look beyond our own national systems.

We know very well that the scope and the frequency of the shortcomings detected by SAIs are no valid criteria. External audit - of which SAIs are a cornerstone - cannot be ascertained without looking at the system of political and administrative management as a whole. To summarise, I should say that their position and their apparent role are inversely proportionate to spontaneous compliance by the auditees with norms which, in a given country, define

sound financial management (or any other term to the same effect) as the force of consensus on the criteria of sound management.

Also, the criteria of effectiveness depend on the scope and the degree of generality of the operations looked at. Whether a part of a programme was managed well or not does not depend on whether the programme as such is justified or not.

If we were to challenge the undeniably contingent character of the norms that define the sound use of public funds and hence the effectiveness of audit, we would have to base ourselves on a universal model of how to optimise public action, a model which would always furnish an unequivocal answer to the question: is it justified to levy the last tax penny? If yes, what would be its best use? And finally which arrangement should ensure that it is used soundly?

I for my part do not believe that such a model exist, not even in the realm of ideas, or in theory. Audit experience that was acquired beyond the national field corroborates the "pragmatic" school of thought, according to which audits are effective if they are conducted in an environment where the rules to be complied with are clear and well accepted.

B. The "international" forms of external auditing which exist illustrate the difficulties of overcoming national approaches. International or supranational auditing manifests itself in three forms:

- the joint evaluation of a programme by several SAIs, this mainly happens with co-operative defence programmes;
- the audit of international institutions;
- the audit of the public spending of the European Union.

The effectiveness of these audits is probably far below that of national or sub-national audits.

Joint audits are subject to precise political agreements. They are without doubt the most effective of the three forms of international audits, as the expected outcome of the programme is relatively well defined. However, they have played a minor role so far.

Audit of international organisations: they are hindered by the cumbersome bureaucracy of these organisations, by the lack of generally accepted accounting principles, and by the politicisation of all management-related aspects.

The example of the European Union apparently is more encouraging. There is a European Court of Auditors endowed with prominent status (it is one of the five Community organs). In overseeing the execution of the Community budget, it was endowed with wide-ranging competencies, modelled upon those in force in the member countries. This includes the obligation to issue a certificate of assurance each year. Despite its prominent status, the Court still faces big difficulties, especially of an institutional nature. Often, the administration and financial management of Community funds involves the national and local administrations. Yet the Maastricht Treaty simply says that the Court shall conduct its audits "in liaison" with the national audit institutions; let us turn to the policy side: are Community programmes, by their very nature, amenable to value-for-money auditing? What about technical instruments? The EU must design its own tools, modelled on national practice, as its sphere of competence is a fully "original" one.

In practical terms, "public" financial operations with an international dimension are becoming increasingly significant. The development of the European Union, the operations "to maintain the order", the sectoral co-operation programmes (Research - Defence - Space etc.) represent ever-growing financial volumes. Inevitably, there is a resultant need for control, and this pressure will force the "professionals" in the sector to propose practical solutions which are acceptable to the parties involved.

For this very reason I believe there is a vast open field for international co-operation. Let me describe three scenarios:

- the promotion of "academic" research. The universities should be encouraged to conduct research and comparative studies on the role of SAIs, and more generally on external control mechanisms, with regard to the promotion of sound management and the fight against corruption.
 - It would be appropriate to institute a dialogue between policy-makers, decision-makers, public financial managers (high-level officials) and audit professionals: this dialogue should lead towards a common language and a common system of assessment.
 - Instituting an exchange of experiences. I am thinking here of long-term trainee programmes and surveys conducted with several SAIs on the issue of "How do we assess our own effectiveness?".
-

It might seem paradoxical to conclude a presentation on the role of SAIs in fostering sound financial management and fighting corruption by a discourse on methodology. This detour to me seems the only viable means: by reflecting on the way of achieving them, we will identify the true objectives and chart the course for progress.

In conclusion, SAIs can improve their performance and thus contribute to the realisation of the ultimate objectives, i.e. sound financial management and the absence of corruption, not by questioning the contents of these objectives at length, but by

- using their audit findings as a basis for a process of negotiation and discussion with the financial managers and those on whose behalf they act , i.e. the policy-makers, rather than as a source of sanctions, including reports that are prematurely addressed to the public;
- by constantly refining their methods of work and professional competence in order to keep abreast of developments in government administration;
- and finally, by practising self-evaluation.

4. Austria: The contribution supreme audit institutions can make to prevent and detect corruption in public procurement

1 Introduction

In the delivery of government, the state meets the citizenry not from a level position, but - legitimated by law - as an institution vested with sovereign powers (e.g. police forces, fiscal authorities), or as a provider of services (e.g. schools or hospitals).

In contracting for services, many countries, including Austria, are not endowed with sovereign powers, but rely on private-law arrangements such as purchase or leasing. These areas of government activity are called the private-law functions of government.

Whenever the state acts with sovereign powers, it must comply with legal provisions. Commonly, any measures adopted would allow for an appeal to be lodged in contestation, and for a close review of these measures by other authorities or courts of law. For the delivery of private-law government functions, neither the binding prescriptions of the law, nor the far-ranging possibilities of reviewing and revising measures adopted, apply to the same extent. Moreover, the regulative forces of the market and the imperative of economic profitability that govern private-sector enterprises, do not necessarily apply to the state. Also, there is a tendency for people to think less in terms of economy and efficiency when spending other people's money on other people's business, than when acting for their own account and cost. Both technically and psychologically, these factors may potentially breed the ground for wrongful or corrupt behaviour.

Naturally, corruption and patronage may also occur in those areas where the state acts vis-à-vis the individual from a sovereign position. A tax office official may, for instance, be led to applying excessive leniency when performing a tax audit. The same may occur when building licences are granted.

The following reflections will limit themselves to those areas, where the government acts in a private-law function, especially in the field of procurement.

2 The term "corruption" and how it is delimited from other wrongful acts

Corruption was once defined as follows: "We generally speak of corruption whenever a public official or office-holder who is authorised to perform specific tasks is led (by the offer of money or other rewards such as the promise of a high office) to perpetrate an act which

benefits the person paying the rewards and thus causes detriment to the group or organisation he belongs to, in particular the government".¹

This very pertinent definition may also be understood to mean that it need not necessarily be the official or office-holder who benefits from a reward or promise but that a gain may also be realised by a third person or an interest group. The characteristic elements of corruption are therefore a gain for the corruptor, a benefit for the corruptee, and a loss which is caused (in this case to the public). As a rule, this loss will be pecuniary in nature; in exceptional cases it may be a bias in the execution of office.

A type of behaviour which is situated further up-stream of corruption and needs a clear delimitation is such where the office-holder does not gain any benefit or advantage from his biased action. Such biased action, which may or may not cause a loss for the public, may be prompted by gratitude, or by familial or ideological ties. Such behaviour is commonly referred to as favouritism or patronage.

A word of caution is called for at this point. Not every loss caused to the state must necessarily be the result of corruption or favouritism. In many cases damage may also be caused by personal shortcomings such as a misconception of office, a lack of knowledge, or a lack of due care.

Corruption, in any case, is a behaviour that is subject to criminal prosecution under the Austrian laws. Favouritism and other forms of personal misconduct which do not cause a benefit or gain for the office-holder will not always have an equally serious impact. The characteristic feature which delimits favouritism from corruption is the motive which leads the office holder to commit a deleterious act. The very proof of that motive is what makes the investigation of corruption for any audit office and court so difficult.

3 How SAIs can contribute to avoid corruption in procurement

Presumably, it will never be possible to completely prevent corruption or favouritism, whether in procurement or in other fields. However, the experiences made by the Austrian Court of Audit have shown that SAIs can indeed contribute to preventing corruption in several ways.

Firstly, there is the important fact that a supreme audit institution actually exists and is endowed with an effective mandate to audit procurement. This preventive effect weighs a lot

¹ Friedrich, Carl J., *Pathologie der Politik*. Frankfurt - New York 1973; quoted in Brünner, Mantl, Wegan; *Korruption und Kontrolle*. Wien - Köln - Graz 1981, page 31.

more than is commonly thought. However, it will only come to fruition if SAIs perform procurement audits on a regular basis, so that the procuring agencies must expect such audits to happen.

Moreover, SAIs should encourage the implementation of appropriate framework conditions which prevent corruption in procurement.

A legal framework that fosters competition is certainly conducive to substantially diminishing the potential for corruption and favouritism. The European Union, for instance, has set up tendering procedures in which several companies are invited to submit tenders for a particular contract. In Austria, we generally find the "open procedure", in which even the intention to award a procurement contract must be made known publicly. Tenderers who feel they have been treated unfairly in this process may, in given circumstances, have the procedure reviewed and even annulled by an independent body and claim damages, as the case may be.

The SAI should ensure that similar rules are implemented wherever the law does not stipulate a public invitation of tenders (in Austria this applies to contracts below a certain amount of value, or to military contracts in the interest of safeguarding confidentiality). As a matter of principle, such contracts should be awarded by competitive tendering (public or at least limited invitation for tenders). Discretionary awards without an invitation of tenders should remain the exception and be tied to strict requirements.

Moreover, the contract-awarding agencies should operate within an adequate organisational framework. SAIs should ensure that agencies reporting and establishing a need for a particular asset are separated organisationally from those units which are responsible for the search of tenderers and for laying down the contractual arrangements. With large-scale contracts it would be wise to have a separation between those units which plan for the basic requirements, and those which define the detailed specifications.

It goes without saying that the two units need to communicate smoothly to prevent undesired effects. However, no such unit should be bound to the instructions issued by the other and vice versa.

Ultimately, SAIs should seek to strengthen internal concomitant control mechanisms and on-site oversight (in building and construction) in the organisations concerned. Concomitant control and oversight functions, if they occupy a significant position within an organisation and are directly involved in the majority of operations/transactions, generally tend to exert a high preventive effect.

4 How SAIs can contribute to detecting corruption in public procurement

Corruption is a two-fold process. First, a public official is led to commit an unbiased action by the offer of money or other promise. Then, the official perpetrates a wrongful act which causes a damage or loss. In an audit, it is easy to identify wrongful or wasteful action, such as the award of a contract to any other than the best bidder, and to detect the resultant damage or loss. However, it will be much more difficult to determine whether such behaviour was caused by an unlawful graft. More often than not, unlawful payments received will not be documented in the books or other accessible records. For lack of conclusive evidence, the parties involved will make a confession only in exceptional cases. In the light of the Austrian Court of Audit's experiences, even criminal courts find great difficulty in proving the receipt of unlawful payments as an underlying reason for wrongful behaviour.

SAIs can contribute most significantly to the detection of corruption in public procurement by revealing corruption in the awarding process. This might prompt the prosecuting authorities to conduct further investigations. It is particularly in this field, where SAIs play a prominent role in fighting corruption. In many cases, the SAI is the only authority which is in a position to determine whether or not a contract was awarded without bias and detriment to the public in general. Internal control is not in possession of the same tools of detection on a scale which SAIs are.

In practical terms, SAIs enjoy the advantage of auditing contracts once the awarding process is terminated. In auditing the award of contracts, SAIs - or at least the Austrian Court of Audit - can draw on a virtually unrestricted scope of action, such as access to all auditee documents, and the right to solicit from the auditee any information deemed necessary. The SAI can therefore obtain a full picture of the completed transaction, while internal bodies are often already involved in the process, which allows the corrupted public official to adjust his or her action to the recommendations of those control bodies. Another advantage SAIs enjoy is that they have a global view of public procurement processes, which internal control institutions generally lack. The SAIs may, for instance, compare the pricing policies adopted by a company during a tendering procedure with the pricing arrangements of other public contractors and draw the right conclusions. To achieve this aim, SAIs must cultivate an in-depth dialogue and exchange of experiences within their own organisations. In the Austrian Court of Audit's experience, it is of growing importance that large-volume tendering procedures in particular are audited by a team of auditors, and not by an individual person. Such teams should be composed of seasoned experts on the different stages of the awarding

process, on planning or contract law, for instance, and also of a large number of specialists in the technical field involved, if possible. In auditing the award of construction contracts, it would be useful to have an experienced civil engineer, and for the procurement of telecommunications, a communications engineer on the team. The use of audit teams requires high flexibility in human resource management and may necessitate the employment of external experts for a limited period of time.

4.1 The key elements which allow to audit for irregular procurement practices

In the experience of the Austrian Court of Audit, there are key elements by which the unbiased delivery of a procurement process and the presence of corruption or favouritism can be virtually ruled out. However, audits need not necessarily be limited to these key elements, but may include other priority areas as well. Some of the following are of particular importance.

The award of contracts is basically divided into the following steps:

- planning (identification of requirements and substantiation of the established needs)
- selection of suppliers (public invitation of tenders or direct discretionary award without invitation of tenders)
- award of contract (placement of an order)
- delivery and quality control
- invoicing and payment.

4.1.1 Planning

In the experience of the Austrian Court of Audit, two of these functions, i.e.: planning and the selection of suppliers, particularly encourage the preferential treatment of a company in the awarding process. In-built preselection mechanisms could reside especially in the planning phase, which would result - as the natural outcome of the other functions - in the desired result, namely a particular company.

When auditing the planning phase of procurement audits, the following should be taken into account:

- It should be possible to infer the type, amount and time of procurement of a particular asset from the strategic planning documents.

Example: Co-ordinated timing of a tendering process when procuring an asset may give the beneficiary company a price advantage for operational reasons, which puts him in a position to submit the lowest bid in a public invitation of tenders.

- The first specific planning steps in procuring an asset (tender documents) should include only the practical specifications.

Example: In the procurement of heavy-duty vehicles, the specified requirement of a rated engine output instead of a load capacity could give preference to one product and preclude others.

- The functional or constructional specifications resulting from the first concrete planning steps should always be drawn up without the involvement of a potential supplier. Also, the specifications should not refer to any one specific product.

The technical specifications lend themselves particularly for giving unjust preference to one particular product or supplier. The specified requirement for one constructional element may lead to the exclusion of all other products, which would be equally suited to meet the specified requirements, in the following awarding process.

In auditing this planning step, auditing staff with the required technical knowledge are of the essence.

- Equally, it is important that the required quantities and assessment criteria for the individual items are laid down. The main criteria should be included in the invitation of tenders and brought to the attention of the tenderers.

4.1.2 Selection of suppliers

As mentioned above, the European Union and Austrian legislation stipulate that the intended award of a contract must be made known to the public, or to an interested group of prospective tenderers.

Although publicity will not fully prevent unlawful or corrupt behaviour, it is an instrument that guarantees competition and avoids that individual companies are treated on preferential terms.

In the experience of the Austrian Court of Audit, there are formal and material aspects which need to be considered in auditing the selection of suppliers.

- Formally, it is essential to document all processes as comprehensively as possible. A complete documentation will prevent the substitution or unjustified non-consideration of individual tenders. The concurrent opening of tenders by a panel will avoid that any company is given an advantage because it has previous information on the quoted prices of its competitors, or that submitted tenders are modified or suppressed.
- The audit of material aspects should focus in particular on the unbiased assessment of the submitted tenders. Special attention should go to tenders which were eliminated because they purportedly did not meet the requirements. Tenderers should only be contacted for clarification, and not for an amendment of their bids. A considerable divergence in the quoted price for individual items may be indicative of intentionally incorrect estimates of required quantities, especially with building contracts.

In exceptional cases, contracts may be awarded directly to companies without previous publication. Under the Austrian laws, this applies in cases of urgency, confidentiality, or when there is only one company which can render the required performance.

It is only natural that discretionary awards harbour a strong potential for favouring individual companies for whatever reason.

- With discretionary awards it is imperative to verify whether the stated reasons actually exist. Often, it will be necessary to give a close look to the planning side of the procurement process.

Example: It would be unfounded to invoke urgency, if the preliminary planning documents indicate that the need for a particular asset has been known for a longer period of time.

- With discretionary awards, the auditor should always look whether a price/performance ratio was established by a comparison of prices.

- If the public was excluded from an award because there is only one company that can render the required performance, the awarding process should include a documentation on market research that was performed.

4.1.3 Awarding of contracts

Contracts for the supply of goods or services are awarded on the basis of the preliminary planning and selection of suppliers. Even though the previous steps may apparently have been conducted correctly and do not give rise to any criticism, contractors may be favoured in the awarding phase to the detriment of the state and rival competitors.

According to the experience of the Austrian Court of Audit , the following situations call for attention:

- The contract is inconsistent with the planned and specified quantities or schedules for the delivery of goods or services.

If a favoured company, due to a secret agreement, could expect larger quantities to be ordered than stated in the tendering documents, it was probably able to quote lower prices than its competitors.

- Repeated alterations of the original contract due to changes of the actual situation.

With building contracts in particular, repeated changes may be an indication that the incorrect quantities were specified intentionally. Contractors with knowledge of the actual situation could therefore bid at very low rates, since they could expect the contract to be altered.

4.1.4 Delivery, quality control, invoicing and payment

Although these steps are the result of the awarding of a contract, they should nevertheless be considered as part of the process and looked at during an audit.

Here, a differentiation must be made between the supply of goods or the rendering of services, for instance in construction, when assessing whether any of the bidding companies was unduly favoured.

- From previous experience we know that deficiencies in the procurement of goods with regard to delivery, quality control, invoicing and payment are the result of public officials being negligent, rather than acting wrongfully by intent. This might be due to

the fact that biased or prejudicial action in this phase is easily detectable by the controlling bodies and attributable to those who are responsible. However, systemic deficiencies in this phase, such as inadequate documentation of the movement of goods, or lacking control mechanisms, could open up possibilities for wrongful behaviour, which is very difficult to reconstruct or associated with a low risk for the official.

- In the experience of the Austrian Court of Audit, the likelihood for intentionally prejudicial or corrupt behaviour is greater when it comes to the performance of services, in particular with construction work performed. In contrast to the delivery of goods, it is - quite naturally - much more difficult to verify whether a delivered performance is consistent with the agreed performance. Such verification, if at all possible, demands a considerable commitment of technology and time, and the in-depth study of the documents by an experienced auditor.

Depending on the complexity of a contract, the audit of these key areas by SAIs increasingly requires the use of teams. These teams should be made up of technical experts and of auditors with the required experience.

5 Conclusions

The foregoing reflections outline some of the major experiences made by the Austrian Court of Audit in auditing public procurement. Although corruption may be difficult to prove, SAIs are well equipped to develop findings which suggest corrupt behaviour. By raising the risk of detection, repeated audits of procurement processes have a preventive effect. Another task of SAIs is to urge the development of framework conditions in procurement which stifle corruption. In a time of rapid technological progress and growing competition on the markets, SAIs will be confronted with ever growing challenges. They will have to optimise the employment of their resources in order to adequately fulfil their role in fighting corruption.

III. REPORTS OF THE WORKING GROUPS

1. Report of the Working Group 1 (Report of the Working Group in English)

Objectives

The prevention and detection of corruption is the responsibility of the Executive/government.

However one of the primary objectives of the SAIs is to assist the government in prevention and detection of corruption and if in the course of audit corruption is detected the SAI should follow it up and report it to the appropriate authorities.

Corruption can be defined as an act by a public official who by commission or omission, not only causes loss to the government but benefits from it either financially or otherwise. This can be in the form of misappropriation of funds, stealing, fraud, irregular gains in addition to bribery, nepotism, etc.

Mismanagement and inefficiency lead to wastage of scarce resources and deprive the people of the benefits of government policies and programs. They also lead to increase in tax burden/debt burden of the country and affect its economic growth. SAIs should highlight the cases of mismanagement and inefficiency to appropriate authorities and suggest remedial measures to prevent their recurrence.

Reasons for corruption

- administrative delays,
- governments taking upon themselves more than what they can manage by way of regulatory functions,
- scope for personal discretion in the exercise of powers vested in different categories of government servants,
- cumbersome procedures of dealing with various matters which are of importance to citizens in their day to day affairs
- lack of integrity among some public officials.

Mandate

In addition to the existing mandate the SAIs should also have the mandate

- a) to prevent corruption;
- b) audit of all moneys given by government by way of loans, grants, subsidies or investments in any body or institutions to enable the SAI to ensure the money has been spent effectively, economically and efficiently for the purpose for which it was sanctioned;
- c) should include audit of privatisation process and any regulatory mechanism put in place by government thereafter to ensure that public interest is safeguarded.

Ways to tackle

This can be done at three stages:

1) preventive audit, 2) detection and 3) reporting

1. Preventive measures should include

- a) suggestion of corrective measures to the governments in the form of strengthening or modifying the rules, regulations and laws;
- b) insistence on complete transparency in contracts, purchases, constructions etc. which should be in the form of separate set-up for tendering and processing, approving and placing orders;
- c) insistence on clear-cut financial rules and regulations including budgeting;
- d) insistence on proper and adequate delegation of powers to the public servants in charge of public spending;

- e) strengthening of internal control systems, training of local accounts staff and access to internal audit papers;
- f) audit of projects conducted at various stages like tendering and awarding contract, mid-term appraisal and final appraisal;
- g) greater emphasis in audit of tax receipts which is one of the sources of corruption by wherever possible cross check the returns to enhance tax collection and prevent corruption;
- h) identifying risk areas in certain types of transactions, contracts, projects and purchases so that the aspect of corruption or fraud is minimised through a proper audit plan;

In addition

- i) SAIs should facilitate the public to establish contact with them with information on corruption and fraud;
- j) SAIs should publish their report at appropriate time through the media to make the public aware of their findings, so that public opinion can be built up against corruption, mismanagement and inefficiency.

2. Detection

This can be ensured through well informed and planned audit that is both regularity and three E's audit, to ensure that systems and procedures, rules and regulations had been properly followed.

3. Reporting

After detection of possible corruption or fraud the SAIs should report to appropriate authorities and provide all help to the concerned agencies to prosecute the official or institution.

Training

Audit staff should have proper qualification and periodical training. Specialists like engineers etc. could be recruited, and consultants in areas were required could be appointed to assist the audit teams.

Further international cooperation and action

1. INTOSAI should prepare a document on the experience in fighting corruption by those supreme audit institutions which have both, auditing and judicial powers.

2. INTOSAI should encourage exchange of experience and convening of seminars at the regional level on the role of SAIs in fighting corruption and mismanagement.
3. INTOSAI should encourage working out recommendations among INTOSAI members to conduct joint audits (on certain conditions) on matters connected with transfer of capital abroad and utilisation of public funds for implementation of projects abroad.

**2. Report of the Working Group 2
(Report of the Working Group in French)**

1 Mismanagement of public funds and corruption as well as all forms of misappropriation and fraud involving public funds are among the most important causes of the inefficiency and the wastage of resources and efforts put up by the state, sometimes with the help of international lenders, to promote economic and social development and to improve the general well-being. Hence, the fight against corruption and the mismanagement of public funds is to be regarded as a matter of some priority.

2 Within the framework of their contribution to the safeguarding of public funds, the supreme audit institutions (SAIs) consider it their foremost task to see to it that, on the one hand, the relevant legal and regulatory provisions are complied with and, on the other hand, public funds are used and managed effectively, efficiently and economically.

3 In view of their general monitoring task, SAIs cannot be the only ones to assume the responsibility of fighting against corruption and other forms of misappropriation of public funds. Given the fact that these violations are subject to penal law, that special means of investigation are required to detect them, that evidence must be collected before punishment can be inflicted, and that the scope of corruption extends far beyond the management of public finances, the SAIs cannot make this issue their central concern.

4 Nevertheless, SAIs can make useful contributions to the fight against corruption and mismanagement within the framework of the exercise of their regular mandate and tasks, at least by drawing attention to situations that are conducive to the commission of such acts and by expressing criticism and making observations and recommendations suitable to promote a sound, effective and efficient management of public funds. Their role in this respect, which inevitably is subordinate to their original mission, is supplementary to that played by institutions and bodies specialising in the detection and punishment of corruption and other punishable offences impairing the system of public administration.

5 In order to participate effectively in the fight against corruption and mismanagement within the framework of its statutory mandate, the SAI must, above all, decide on an effective audit programme. To this end, it must:

5.1 In respect of the subject matter of its audit, identify the causes and situations which may permit or facilitate the appearance and spreading of these phenomena, the following being a non-exhaustive enumeration:

- gaps in the organisational and management systems,
- gaps in the system of accountability which every public office-holder should be subject to,
- excessive concentration of power in the hands of persons holding sensitive positions of particular responsibility,
- gaps in the internal audit systems,
- inadequate external audits, the frequency and intensity of which is often insufficient to permit more effective detection of possible irregularities,
- lack of transparency in the management of public funds,
- excessive regulations governing the granting of administrative approvals.

5.2 With due consideration of national specificities, identify the sectors and areas most likely to be affected by corruption and fraud in the management of public funds. By way of illustration, the areas listed below are deemed to be particularly at risk in most countries:

- public procurement and, generally speaking, all operations involving the purchase of goods and services by the State or by public bodies or the performance of contracts on their behalf (public works, etc.),
- delegated management of public services,
- subsidies and other form of state aid granted to associations,
- urban real estate, including social housing and commercial real estate,
- activities subject to licenses, permits and other administrative approvals to be granted in advance,
- the collection of public revenues from taxpayers,
- information and public relations expenses by public institutions and administrative bodies

6 Identifying the main causes and the sectors most likely to be affected by corruption and mismanagement is not enough for the SAI to be able to contribute effectively, in the

exercise of its normal functions, to the fight against such undesirable developments. A number of preconditions have to be met:

6.1 The SAI must be authorised to conduct its investigations in respect of the entirety of public funds, regardless of the sector of activity or the legal nature of the institutions managing or benefiting from such funds.

6.2 The auditing activity conferred upon the SAI must enable it to verify:

6.2.1 whether the relevant laws and regulations are complied with, so that possible violations committed in the interest of the perpetrator or of third parties engaged in business relations can be detected (compliance audit),

6.2.2 whether public funds are used for their intended purpose and their management meets the criteria of economy, effectiveness and efficiency, so that possible indications of wilful mismanagement of public funds can be detected (performance audit).

6.3 The legislation governing the SAI must explicitly provide for a mandate to be given to the SAI to evaluate the quality of legislative and regulatory provisions regarding the conditions for the utilisation, administration, accounting and auditing of public funds, above all with a view to the detection and indication of inadequacies and gaps likely to facilitate acts of corruption and mismanagement. In this context, the SAI should devote special attention to the general conditions under which public funds are managed, to the transparency rules, and to the mechanisms of accountability.

6.4 The SAI must have the most extensive right of access possible, including the authority to take sanctions if need arises, so as to have easy and immediate access to all the documents and information required for the fulfilment of its missions.

6.5 In order to be neutral, objective and efficient in their work, the SAI and its staff must enjoy the necessary degree of independence (freedom to establish their own auditing schedules, freedom to include all the critical remarks and observations made in the course of an audit in the audit report).

In this context, special attention has to be paid to:

6.5.1 the conditions under which the budgets earmarked for SAIs are determined, which must not become an instrument used to hinder the performance of audits;

6.5.2 the status of the members of SAIs, which must be such as to guarantee the degree of independence and protection required for the efficient and unimpeded fulfilment of their functions (also in material terms).

6.6 Given the extent of their responsibilities and the technical complexity of their tasks, the SAIs must have adequate human resources (recruitment in sufficient numbers, attractive and motivating positions, continuous training and further training measures suitable to provide audit personnel with pertinent, modern and efficient auditing methods). In areas requiring special qualifications, above all for the detection of possible cases of fraud, the SAIs should either have highly qualified experts among their own staff or be able to resort to outside expertise.

6.7 The SAIs must be in a position to guarantee a sufficient frequency and intensity of their audits, so as to increase the probability of possible irregularities and misappropriations of public funds being detected. The regionalisation and decentralisation of the audit activities performed by SAIs may be an efficient means to reach this goal.

6.8 The audits performed by the SAIs would be more relevant and up-to-date, if the time elapsing between the period to be audited and the performance of the audit were shortened.

6.9 In compliance with their statutory responsibilities, the SAIs should be entrusted with or at least involved in the auditing of projects financed with the support of international lenders.

6.10 The SAI must be able to ensure sufficient publicity for the most important results of its work, above all in cases that may serve as examples.

6.11 For its audits to be efficient, the SAI must be informed of the follow-up given to them by the authorities in charge on the basis of its findings, observations and recommendations. If need arises, above all if its communications remain without effect for a long period of time, the SAI must be entitled to bring the case to the attention of the public.

6.12 The SAIs must be authorised by the national legislation to seize the competent courts directly with cases of possible penal relevance detected in the course of their investigations.

6.13 The SAIs must co-operate closely - by way of a continuous exchange of information and experience - with all the administrative authorities and bodies involved in the fight against corruption and mismanagement of public funds and, in particular, with specialised institutions, provided such institutions exist.

3. Report of the Working Group 3 (Report of the Working Group in German)

1 Introduction

The participants of the German language working group agreed that corruption - no matter what form it takes - has extremely negative effects on all areas of public life and must therefore be opposed on principle.

The participants of the German language working group further agreed that SAIs are not in a position to prevent or eliminate corruption in all its various forms, but are able to make a significant contribution to keep it under control.

The participants of the German language working group have worked out a catalogue of findings and conclusions as to the role of the SAIs in fighting corruption.

2 Forms of Corruption

2.1 Findings

There is a wide spectrum of forms that corruption can take, such as fraud, embezzlement, theft, surreptitious obtention of subsidies, forger of documents, misuse of official authority, collusive tendering and manipulations in the awarding of contracts as well as bribery and blackmail.

2.2 Conclusions

We recommend that those SAIs which hold the opinion that corruption has a significant negative effect in their respective countries identify, in a first step, all the pertinent national legal standards or other regulatory mechanisms and make recommendations on filling any gaps that might exist in them.

3 Use of generally accepted auditing criteria by SAIs in auditing for corruption

3.1 Findings

The generally accepted auditing criteria of SAIs are regularity, legality, economy, efficiency and effectiveness.

3.2 Conclusions

Among these auditing criteria, it is particularly regularity and legality which provide a suitable approach for audits intended to detect instances of corruption.

4 Corruption and legislation

4.1 Findings

Cumbersome rules and regulations and non-transparent administrative procedures provide an ideal climate for corruption.

4.2 Conclusions

In the event that an SAI's mandate includes the appraisal of parliamentary bills, the SAI should bring its influence to bear in making such bills more compatible with the actual needs of citizens and in achieving more transparency in procedures.

5 Corruption risk indicators

5.1 Findings

Certain areas in the public sector are particularly susceptible to corruption, for instance government procurement in general, investments including public works, subsidies, clearings and sanctions, appointments of public officials as well as government accounting in general.

5.2 Conclusions

It would be necessary for the SAIs to identify - in a methodical manner - the fields of audit particularly susceptible to corruption. A matter of primary importance is the development of effective standards for government accounting, in particular for projects managed outside the regular financing channels.

6 Corruption and internationalisation

6.1 Findings

Due to growing internationalisation through modern means of transport and modern information technology (IT) corruption is a factor which, to an ever larger degree, tends to spread across the borders of a single country affected by corruption.

6.2 Conclusions

We recommend that - within the respective powers bestowed upon them - SAIs exchange information and develop co-ordinated procedures, make use of adequate mechanisms for mutual official assistance and of the facilities provided by INTOSAI and its regional working groups for exchanging experiences and information.

7 Co-operation with international donor organisations

7.1 Findings

A large range of different types of financial aid provided by international donors (grants and loans) may create a climate favourable to corruption.

7.2 Conclusions

If and when SAIs play a role in the auditing of financial aid they should focus their auditing activities, attempt to prevent gaps in audit coverage and detect conflicting responsibilities having a negative impact. If appropriate, SAIs should manifest their interest in being fully informed about any financial aid granted by international donors.

8 Co-operation of SAIs with other audit bodies in the fight against corruption

8.1 Findings

Apart from a SAI, most countries have a number of other bodies which are involved in internal and external control activities.

8.2 Conclusions

We recommend that, with a view to fighting corruption in all its forms, SAIs exchange information and experiences with such audit bodies as far as there are common interests. Special attention should be paid to avoiding both lack and duplication of controls.

9 Resources available to SAIs for fighting corruption

9.1 Findings

To be able to fight corruption effectively, SAIs need sufficient and technically qualified human resources as well as up-to-date material support, in particular with respect to information technology (IT).

9.2 Conclusions

SAIs should attempt to plan their resources in such a way that empowers them to deal adequately and effectively with cases of corruption.

10 Evaluation of control instruments available to SAIs

10.1 Findings

Depending on the respective legal frameworks on which their activities are based, SAIs have a variety of instruments for performing audits at their disposal. They have for example the right to inspection and information, some are able to perform concomitant audits, and some are even authorised to impose sanctions.

10.2 Conclusions

We invite SAIs to ascertain whether their control instruments are sufficient for the preventive, but also for the repressive fighting of corruption or need to be expanded. However, there can be no doubt that providing training opportunities and raising SAI staff qualification levels are the prerequisites for SAIs to be able to adequately fulfil their mandates.

11 Audit planning with a view to detecting corruption

11.1 Findings

The fact that SAIs establish their audit programmes without outside interference is an essential element of SAIs' independence, as already laid down in the Declaration of Lima. This also includes cases where the SAIs are auditing instances of corruption.

11.2 Conclusions

Already during the audit planning stage, SAIs should define how much attention is to be paid to the auditing of corruption and mismanagement. This should include safeguards against the audit programme's execution being jeopardised by requests from outside, such as special audit commissions, or by taking inordinate account of information provided by the public at large (including cases of denunciation).

**4. Report of the Working Group 4
(Report of the Working Group in Spanish)**

**STRATEGIES AND MEASURES TO CONTROL CORRUPTION
IN THE PUBLIC ADMINISTRATION**

1 Theoretical context

1.1 Background

Various social researchers have concluded that corruption is as old as human society, that it is present in all political systems, regardless of how developed they may be, and that it is not exclusive to any particular sector, or to developed or developing countries, although it is easier to combat corruption in democratic societies.

They have also endeavoured to conceptualize corruption, identify its causes and, essentially, propose measures to control it. The vast array of literature on the subject tells us that corruption is a way to exert influence - illicit, illegal and illegitimate influence - with particular reference to how the system operates and, above all, how decisions are taken.

In our view, what matters in practice is not to provide a definition of corruption but, faced with its effects, to pinpoint its causes and thus find possible solutions. Corruption gives rise to widespread bureaucratic inefficiency and, most importantly, endangers the legitimacy of the State organizations. It also engenders a pernicious "culture of corruption" among members of the public.

2 Corruption in the public administration

2.1 Conditions that encourage corruption

Corruption is encouraged or promoted by an enormous range of conditions, including:

1. The excessive concentration or centralization of powers in the central organs of the public administration;
2. Administrative disorder and over-regulation;

3. The failure to rectify gaps or omissions in the legal framework that governs the provision of public service;
4. The lack of legitimate access to opportunities for mobility;
5. The absence of adequate, effective and specific monitoring systems;
6. Low income levels among public servants;
7. The failure to provide adequate education programmes to imbue children and young people with respect for legality and a spirit of disinterested service to the nation - in particular, the lack of any tradition of control or monitoring;
8. The inadequate procedures used to select administrative staff;
9. Excessive scope for discretion in decision-taking on the part of public servants.

These all apply to any form of corruption, including governmental or administrative corruption, which involves conduct counter to the standards that regulate the working of the bureaucratic apparatus.

2.2 Areas that are likely to be affected by corruption

- Purchase of goods or services
- Public works
- Licences, permits and concessions
- Labour relations
- Subsidies and grants
- Tax collection
- Handling of financial proceeds.

3. **General features to be considered in dealing with administrative corruption**

Examination of experience gained internationally indicates features which ought to be borne in mind when dealing with administrative corruption, such as:

- The need for anti-corruption laws to remove gaps or omissions and prevent excessive scope for discretion that encourages corruption;
- The need for more emphasis on corruption control, both in formal education and in training;
- The advisability of making this effort a government priority, by establishing specific programmes or approaches to deal with corruption;
- The need for sufficient funds to take steps to eradicate corruption;
- The involvement of the various sectors of society (participation by each citizen);
- Publication of the results in the communication media;
- The strengthening of the monitoring organs and the establishment of new administrative approaches which promote management transparency and improve international information systems;
- The need for decentralization;
- The need for simplification;
- Bilateral and multilateral treaties and agreements on assistance and cooperation to deal with corruption;
- The granting of exceptions to banking confidentiality;
- The need to inculcate a spirit of professionalism among public servants;
- The need to remove impunity;
- The establishment of a code of ethics for public servants;
- The development of audit techniques designed to combat corruption.

CONCLUSIONS AND RECOMMENDATIONS

1 Promotion of international cooperation

It is advisable to strengthen international cooperation, as a means of dealing with administrative corruption, basically through:

- (a) Exchanges of experience between supreme audit institutions and their international umbrella organizations;
- (b) Training within supreme audit institutions;
- (c) Signing of international agreements to promote practices to combat corruption;
- (d) Participation by the international organizations that provide supreme audit institutions with institutional, technical and financial support, as well as programmes designed to combat administrative corruption.

2 Ethics in public service

- Training of public servants, in general, and supreme audit institutions, in particular, in an effort to raise the standing of public service.
- Setting of standards of conduct for public service and establishment of arrangements to ensure compliance with those standards.
- Establishment of systems whereby public officials who have reached a predetermined level of responsibility are required to declare their assets.
- Support for INTOSAI in its work on the Standing Commission on Audit Standards, particularly as regards the code of ethics.

3 Effectiveness and transparency

The following list contains suggested measures to ensure that supreme audit institutions act in an effective and transparent manner:

- (a) The activities of supreme audit institutions should be made known and published in an appropriate fashion;
- (b) Support should be given to the establishment of integrated systems for accounting, financial and budgetary administration;
- (c) Supreme audit institutions must act in such a way that the initial impact of their initiatives does not hinder their results in the longer term;
- (d) Efforts should be made to simplify administrative procedures in the public sector.

4 Inter-institutional collaboration against corruption

Considering that corruption control is not the exclusive province of supreme audit institutions, but rather the responsibility of various public institutions, it is advisable:

1. To establish collaboration among the various organs involved in the fight against corruption and mismanagement;
2. To establish a specific legal framework for the activities of external and internal audit bodies so as to maintain their independence, avoid duplication of tasks and guarantee better results in the fight against corruption and mismanagement;
3. To take appropriate steps to transfer audit activities to the competent jurisdictional agencies.

5 Public participation and involvement

- (a) Efforts should be made to give citizens access to different ways of indicating their views on government performance.
- (b) There should be a systematic evaluation of users' opinions, complaints and suggestions in order to solve or prevent problems and to ensure that they do not recur or become permanent.
- (c) Society should be more actively involved in defining, implementing and evaluating institutional initiatives, to help ensure that it is efficiently, effectively, appropriately and satisfactorily served by the public institutions.

- (d) Efforts should be made to make citizens more aware of the functions of supreme audit institutions.
- (e) Efforts should be made to strengthen the education systems, to enable them to instil respect for honesty as one of the dominant values held by citizens.

IV. CONCLUSIONS

Even though the working groups' approaches to the set topic and the results achieved were structured along different lines, a large number of common findings were identified.

The participants of the working groups agreed that corruption took many different forms, including misappropriation, theft, fraud, bribery, blackmail, fraudulent claiming of benefits (subsidies), forging of documents, abuse of official authority, collusive tendering and manipulations in contract-awarding processes, etc.

Among the results of an analysis of the causes of corruption were mentioned:

- an excessive concentration or centralisation of authority,
- weaknesses in organisational and administrative systems,
- too many and unclear legal regulations or a lack thereof (gaps in the law),
- a lack of adequate, efficient and effective internal and external control mechanisms,
- a lack of transparency in public sector financial management,
- too much room for personal discretion in conferring powers, etc.,
- a lack of personal integrity in some civil servants,
- a poor financial situation of civil servants.

The participants identified the following areas as particularly sensitive to corruption and mismanagement:

- awarding of government contracts for procurement purposes (goods and services),
- capital expenditure including public works,
- awarding of subsidies,

- awarding of permits, concessions, licenses,
- tax assessment and collection,
- contracting out of public services,
- recruitment of employees.

The participants expressed the opinion that the fight against corruption was not one of the SAIs' main duties, but that the involvement of the SAIs in the fight against corruption and mismanagement was of special importance.

In order to fulfil this task successfully, SAIs must satisfy certain criteria:

- independence of SAIs (in terms of budget and personnel),
- audit authority extending to all public sector areas and the entirety of government revenues and spending,
- responsibility for regularity, compliance and performance audits,
- involvement of SAIs in the review of proposed legislation and development of effective standards for public sector accounting,
- authority to assess the quality of existing regulations governing budget management (e.g. accountability, transparency),
- independent establishment of audit programmes,
- right to perform on-site inspections,
- adequate staffing with sufficiently trained and paid personnel.

The participants agreed that the fight against corruption and mismanagement could be greatly supported by the following measures and developed the following recommendations:

- INTOSAI should encourage bilateral and multilateral exchanges of views as well as seminars at the regional level on the role of SAIs in fighting corruption and mismanagement.
- International co-operation in the fight against corruption should be intensified within INTOSAI and the regional working groups.

- The SAIs should be integrated into audit activities relating to financial assistance, including specifically projects financed by international donors.
- SAIs should cultivate a permanent exchange of information and experience as well as close co-operation with all national administrative agencies and institutions involved in the fight against corruption and mismanagement, and, in particular, with internal auditing services. Efforts in this respect should be co-ordinated and mutual administrative assistance arranged.
- Adequate resources of professionally qualified personnel as well as state-of-the-art equipment (information technology) should allow the SAIs to meet the demands being made on them in their fight against corruption and mismanagement.
- Audit staff should be suitably educated and trained to acquire the qualifications necessary to be able to respond to changing requirements in the fight against corruption and mismanagement.
- Codes of ethics should be drawn up for public service employees and compliance with these reviewed.
- The results of SAI activities (audit reports) should be made public.
- Compliance with recommendations made in audit reports should be examined (follow-up audits).
- The SAIs must be authorised by the national legislation to seize the competent courts directly with cases of possible penal relevance.
- The public should be alerted to the high social cost of corruption.

The participants emphasised that the presentations, the subsequent debates and work done in the groups had provided most valuable ideas for the activities of the SAIs in the fight against corruption and mismanagement in their respective countries and would surely result in improved audit practices.

The topic of the seminar was of interest not only to the participants from less developed nations and the reform countries of Central and Eastern Europe but to all attendees. The 12th UN/INTOSAI Seminar was warmly received by all participants, particularly on account of the

high professional quality of the papers, the smooth organisation of the event, and adequate opportunity for an exchange of experiences and ideas.

The participants recommended specifically that the exchange of information in this area should be encouraged and further expanded and that the results of the seminar and the final seminar report should be communicated and disseminated to all INTOSAI members.

The participants considered the 12th UN/INTOSAI seminar most helpful for their work and agreed that there was a need for further seminars in the field of government auditing in order to meet even more effectively the rising demand for more expertise associated with the continued development of auditing tasks.

V. ATTACHMENTS

1. **United Nations**

CONTENTS

- I The impetus for the conference on the role of the supreme audit institutions in fighting corruption and mismanagement
- II The critical importance of fighting corruption and mismanagement
- III The United Nations' action in fighting corruption and mismanagement within the Organization
- IV The experience of the United Nations in helping developing countries fight corruption and mismanagement

I. The impetus for the conference on the role of the supreme audit institutions in fighting corruption and mismanagement

Many countries, both developed and developing, have had a long tradition of corruption and mismanagement throughout their public sector. Since the detection and reporting of corruption and mismanagement in government services and public sector entities as well as in international organizations are necessary in order to build and sustain credibility and public support, the fight against corruption and mismanagement is currently the subject of renewed attention, almost world-wide. Thus in 1990, in the aftermath of major fraud involving large companies such as Continental Illinois, E.S.M. Government Securities, E.F. Hutton, and ZZZ Best, a book entitled the Wall Street Journal on Accounting observed:

"It is interesting to note that much of the fraud involves executive 'override' of existing corporate control policies. 'The Treadway' report cites executive override as one of its major concerns"¹. The articles published in the book provided insight into many of the fraud cases which had been attributed by the U.S. Congress and the general public to "so-called audit failures".

In the United Nations, until 1993, the major internal oversight functions of the Secretariat were carried out by a unit within the Department of Administration and Management. However, in September 1994, the General Assembly established a new unit, the Office of Internal Oversight Services (OIOS) mandated to provide the Secretary-General with a full range of oversight services, management consulting, programme evaluation, monitoring inspection and investigating services. In November 1994, CIAT organized in Ecuador the Transparency International Round Table on Corruption. In March 1996, the Member States of the Organization of American States agreed to adopt an Inter-American Convention against corruption. The General Assembly is presently considering the adoption of a United Nations Declaration on Corruption and Bribery in Transitional Commercial Activities. Moreover, the General Assembly has asked the Department for Development Support and Management Services to take a lead role in assisting Member States to reduce illicit payments in business transactions.

On 7 October 1996, in South Africa, the Secretary-General of the African National Congress Party said "the ANC is pained immensely by stories of corruption". He added "we are highly conscious of the damage that corruption does to a party and a country". Themba Sono, a professor of economics at the University of the Witwatersrand observed "we did not want to

¹) Lee Berton and Jonathan B. Schiff: The Wall Street Journal on Accounting Richard O. Irvin, 1990 page 126.

replace a white corrupt Government with our corrupt selves. There are people trying to pretend that what is going on is nothing but the birth pangs of democracy. But that is very dangerous".

The theme of the conference "The role of the supreme audit institutions in fighting corruption and mismanagement" is thus a timely and important issue for consideration by the auditing profession.

II. The critical importance of fighting corruption and mismanagement

Governance corruption, meaning the misuse of public power for private profit - undermines economic development. Where it is pervasive, not only are long-term economic growth and equity threatened, but stable democracy itself is endangered. In UNDP's work on Sustainable Human Development, it has been postulated that achieving sustainable development requires the presence of a number of features. First, it demands prudent, national and far-sighted decision making. Second, it requires that the best use be made of available resources. Third, it needs a principled leadership which enjoys the understanding and support of the people.

The Chairman of the Africa Leadership Forum, General Obusezuh Abasanjo speaking at the Transparency International Round Table on Corruption, quite appropriately observed that corruption damages social and economic development in a variety of ways. Decisions are taken which are irrational, short-sighted and motivated by greed, not need. Resources are squandered as projects are approved not on the basis of their suitability, but on the returns which they may yield to the decision-makers. He stressed that a corrupt administration quickly loses the confidence of its people, who are then gripped by cynicism and rendered immune to leadership.

There should be a broad accountability framework in place that includes establishing unambiguously who is responsible for what within government and, preferably, this framework should be set out in legislation. There should be, in law, a responsibility placed on government officials to act prudently and to serve the best interests of the government and the public. The primary role in ensuring proper behaviour is incumbent upon the government and on management in general. For all assigned responsibilities, there should be some accounting back (i.e. reporting on how those responsibilities have been fulfilled). In the case of ethical behaviour the reporting back of statements, by officials, that they have taken appropriate steps to ensure that an acceptable culture and behaviour exists within the entity for which they are responsible. Even if not in the form of legislation, there should be some reporting by the government on the steps taken and the achievements regarding the establishment and

maintenance of integrity within the public sector. This may take the form of having a proper Code of Conduct signed annually by each employee, along with some work by internal audit, or management itself, to establish compliance with the Code of Conduct.

Supreme audit institutions must, therefore, be involved in efforts to detect and report corruption and mismanagement in the public sector entities they audit. If expectations are set out in legislation, the role of the Supreme Audit Institutions may take the form of compliance audit work (regularity audit) to establish the extent to which the accountability provisions are being complied with.

The essence of audit consists of independence and competence. Consequently a supreme audit institution must be independent from the government entities that are subject to audit. Further, it must report to the legislative body. The supreme audit institution must be provided with qualified professionals possessing both appropriate technical knowledge and good judgement. Independence and competence should lead to quality reports and credibility for the supreme audit institutions. However, in many countries, they are far from being assured. Thus the head of some supreme audit institutions may be selected from and appointed by the governments. As a result, the institutions may not have the independence necessary to report appropriately. Others, although willing to do what is necessary, may not be given the capability (e.g. the financial and human resources) to do the job that is expected of them.

Whatever the circumstances, the supreme audit institution can play a significant role in fighting corruption and mismanagement. The head of a supreme audit institution may speak out strongly against corruption and mismanagement. A supreme audit institution may "lead by example" by developing and recommending an appropriate Code of Conduct and drafting auditing standards. If the legislative framework for governmental activities does not include provisions relating to "acting honestly and in good faith" this itself is a reportable matter. It is difficult, but not impossible to conceive of governments that would not publicly support this kind of position. If such legislative provisions already exist, a supreme audit institution should consider carrying out audits to determine the extent to which such provisions are being complied with. Reporting the audit results publicly would be extremely sensitive. However, there are ways to deal with the reporting of instances of corruption and/or mismanagement (e.g. by reporting the nature of the issue, its impact and likely causes without publicly naming names etc.). A supreme audit institution may wish to review the nature and extent of the government's accounting/reporting to the legislature on what it has done to reduce the incidence of corruption and mismanagement.

The head of a supreme audit institution must be a model of appropriate behaviour. Audit staff need some specialized forensic training. The supreme audit institutions should be involved in varying degrees and ways, in identifying and reporting corruption and mismanagement issues. There are a variety of ways in which a supreme audit institution may be involved - from speaking out publicly against corruption and mismanagement to auditing directly and reporting identified cases. In countries with severe financial constraints, it is even more important that the Supreme Audit Institutions play a major and direct role in helping to ensure that public funds are spent honestly and efficiently. Their active involvement in fighting corruption and mismanagement is critical to the strengthening of the democratic process.

Traditionally, the work of supreme audit institutions has been directed primarily towards providing independent evidence and evaluation of the accuracy of financial statements for governmental organizations and towards fighting corruption and mismanagement. Gradually, auditors have moved away from the exclusively financial audits which aim at ensuring that financial statements are accurate and prepared in accordance with generally accepted accounting principles. The auditor's scope of work has expanded to include operational audits, in which the efficiency and effectiveness of resource utilization is evaluated and compliance audits, in which determinations are made as to whether legal and regulatory requirements have been properly met.

During the 1990s the responsibilities and role of the supreme audit institutions have again enlarged. Auditors of private sector organizations in developed countries are increasingly expected to detect and report not only material errors in financial statements, but instances of management corruption as well. In the public sector, auditing has broadened to include the relevance of ethical issues arising from government decisions and practices, particularly when governments depart from prevailing moral standards and social values. In all governments, there is an acute need for an effective public watchdog to fight against corruption and mismanagement.

III. The United Nations action in fighting corruption and mismanagement within the Organization

One of the United Nations' major innovations has been the progressive implementation of a new integrated management information system (IMIS), which is intended eventually to provide online access to the status of all financial transactions, personnel related information, travel and procurement details in an integrated system which will cover approximately 8500 staff in duty stations around the world. IMIS automates the rules and regulations on which

thousands of personnel and financial decisions are made. It automatically checks rules and conditions of eligibility for entitlements. Under the system:

- Any variations from the entitlements calculated by the system must be recorded by an officer with access to an override capability;
- The name of the responsible officer is recorded in the system history for every action performed on a personnel or financial document;
- Obligations cannot be entered into the system without a duly authorized pre-encumbrance;
- All transactions could be audited on-line as the full documentation is contained in the on-line database;
- Personnel positions known as "posts" cannot be encumbered for more than 100% (except at UNDP);
- All proposed financial transactions must have a valid budget account and must pass funds-sufficiency testing at the pre-encumbrance stage;
- Only the most senior officers of the Office of Programme Planning, Budget and Accounts can override funds sufficiency validations.

From the point of view of auditors, IMIS has provided the following benefits:

- It has expedited the compliance audit review programme by systematically enforcing managers' compliance with established rules and regulations.
- It has created a more accessible audit trail and reduced some field work by ensuring that all contracts, accounting records, invoices, personnel actions, etc. are contained within the system and are accessible on-line to auditors;
- It has strictly limited the use of overrides and reduced the abuse of them by logging the user's name for every document created or modified. The reduction in override abuse can be considered as one of the most significant features of the new system from an auditor's point of view.

The process of reform and improved accountability which was initiated within the Secretariat also required a re-thinking of the role and scope of oversight functions. While internal management has taken a strong position in trying to reduce mismanagement and improper use of internal UN resources, the United Nations General Assembly has also taken an aggressive stance in requiring the Organization to fight corruption and mismanagement.

Until 1993, the major internal oversight functions of the Secretariat were carried out by units within the Department of Administration and Management (DAM). As a "result of allegations (or mismanagement) and proven incidents of wrongdoing, Member States expressed concern about the way the United Nations managed its resources, and criticized the inadequacies of its internal controls, which were sometimes lacking altogether". Consequently, as already mentioned in the first section, the General Assembly established a new body, the Office of Internal Oversight Services (OIOS).

A salient feature of OIOS is a high degree of independence. OIOS is responsible not to the Department of Administration and Management as internal audit, evaluation and programme monitoring functions were in the past. It is physically and organizationally independent from the Department of Administration and Management. In practice, the OIOS extends the traditional role of internal auditors, who typically report to and are responsible to management. While the Office is under the direct authority of the Secretary-General the General Assembly requires OIOS to exercise operational independence in the conduct of its duties. No Secretariat official can prohibit OIOS from carrying out any action within the purview of its mandate. Significantly, the reports of OIOS are to be "transmitted" unchanged to the General Assembly under cover of a note by the Secretary-General. Each year OIOS submits an analytical and summary report on its activities for the year to the General Assembly (through the Secretary-General). This report highlights all significant problems, abuses and deficiencies relating to the administration of a programme or operation as well as recommendations for corrective action. The report also cites instances of failure to implement these recommendations.

The head of OIOS met with the Staff Union Committee and stated that:

- Any staff member who comes forward with complaints, criticisms and information on mismanagement, waste and abuse will be fully protected by his office; and that
- He would approach supervisors directly to ensure that staff members do not suffer reprisals for providing OIOS with information.

The OIOS is working to create a protective, supportive environment for "whistle blowers" and operates a hot line on a 24-hour, confidential basis to receive information from staff on abuse, wastage, management, fraud and other forms of corruption. Early in 1996, it began distributing a "news update" in order to inform periodically the staff on oversight-related issues. "Fraud Alert: Money Transfer Confidence Schemes" outlined ways fraudulent operators target and approach staff members and alerted the latter to the risks of being targeted by operators of an international fraud scheme commonly referred to as Advance Fee Fraud.

With the establishment of OIOS, the traditional internal audit function was extended in two directions, that is management audits and implementation:

- (i) Management Audits: The two classic types of audit, financial and compliance audits, have now been complemented by a stronger emphasis on management audit, which puts a strong focus on the economy, efficiency and effectiveness of operations, systems and procedures. A new section, the Management Consulting Section, was added to the Audit and Management Consulting Divisions, which has adopted a policy of including a management audit perspective in all major audit assignments. A stronger emphasis is put on preventing problems before they occur.

This new role notwithstanding, OIOS does not participate in managerial decision-making. As noted in the Report of the Joint Inspection Unit, Accountability, Management improvement and oversight in the United Nations System (JIU/REP/95/2): "While internal oversight and management services provide a critical stimulus, senior management, programme and other staff must clearly carry the major portion of the accountability and performance responsibilities in the organization". At the United Nations, auditors have become more involved in analysis aimed at preventing abuses and process review than in the past.

- (ii) Implementation: Implementation of audit recommendations has been given more emphasis under the OIOS mandate. Until recently, audit assignments were closed as soon as the auditee had accepted a recommendation. AMCD now follows-up on accepted recommendations until they are fully implemented. Under the new arrangement, programme managers are expected to ensure prompt compliance and to report to OIOS on a quarterly basis on the status of implementation. An audit assignment is closed only when AMCD has adequate evidence that all recommendations have been implemented.

IV. The experience of the United Nations in helping developing countries fight corruption and mismanagement

The experience of the United Nations in helping developing countries fight corruption and mismanagement spans more than four decades in supportive improvements in public financial management in developing countries. Many of the circumstances which in developing countries lead to waste, fraud and abuse are not necessarily systems-related, but people-related. Lack of training, poor pay, and, of course, policies are some of the causes of the breakdown in accountability and good governance.

Abuses and mismanagement in developing countries occur in many of the same areas as they occur in developed countries such as procurement, customs and tax administration, and promotion and selection of personnel. However, there are several areas of corruption and waste which by their nature occur more frequently in developing countries. Such countries, for example, tend to have more severe restrictions on currency exchange. They also have access to foreign funded projects, which may provide opportunities for privileged individuals to travel outside the country for training and meetings.

A. Corruption and mismanagement in projects financed outside the national budget

Funding projects outside the national budget appropriations process occur where donors find that programme delivery is constrained by inadequate government implementation mechanisms. Donors may redirect their funds to a Non-Governmental Organization (NGO) or independent project implementation unit. Donor financing for these projects may be provided by making direct fund transfers into commercial banking accounts. Further, major donors may also convince the government to make its counterpart payments in support of "care" projects in the form of monthly direct transfers to the commercial banking accounts.

The definitions of "public monies" in public finance legislation of the host government is generally limited to funds appropriated by the national budget. The public service legislation that requires civil servants to be prosecuted for misappropriation or abuse of public monies adopts the same definition. Civil servants are fully aware of this limitation to public prosecution, particularly as it applies to the donor funds held in the commercial banking accounts of project implementation units and NGOs.

Civil servants who are assigned as direct counterparts to project implementation units and NGOs, and who misappropriate funds, know that public prosecution is unlikely. Strong circumstantial evidence suggests that these civil servants, and others in the Executing

Agencies, do divert funds. Fungibility makes the analysis of whose funds are misused, donor's or government's impossible.

The Auditor General's Office is legally bound to audit government's counterpart contributions. The Office is understaffed and competes for qualified personnel with a large number of donor financed project implementation units where salary differentials can be as high as 1 to 20 (in favour of employment in a donor financed project). Further, the Auditor General's staff rely on financial statements and access to records that can only be provided by non-government staff who are outside their jurisdiction, or counterpart civil servants who may have little motivation to cooperate.

In this instance an extension in the role of the supreme audit institution is not desirable. There should rather be a reduction in use by donor countries and institutions of the use of transfers which do not go through the national budgeting process. It is true that in many developing countries, donor development programmes exceed the absorptive capacity of weak governmental institutions. Although it is tempting to try to raise delivery and implementation of donor programmes by directly transferring funds into what are essentially private banking accounts, the end result may be counterproductive. Resources intended to support national development objectives may be diverted by public servants and the civil society does not benefit to the extent intended.

Indeed, future development programmes could be jeopardised where misappropriation becomes evident to taxpayers in donor countries, potentially denying the civil society access to such development resources in the future. Because of the lessened ability of Auditor Generals to audit government counterpart funds and the significantly reduced probability of prosecution of civil servants who misappropriate such funds, donors should avoid transfers of funds outside the host country's Governmental appropriation process.

B. Corruption and mismanagement in foreign training

Human resource development and investment in human capital are, without question, vital to the future of developing as well as developed countries. However, waste and misuse of the valuable, limited training resources available to developing countries are frequent. Waste extends from sending an important, senior Government official (e.g. sending an official with little or no auditing exposure or computer background to an auditing or computer conference) to an international meeting where a more productive choice might be to send a technical person. A substantive or technical officer might make more effective use of the training in his

or her work and might also make a more substantial contribution to the meeting's proceedings.

In the context of management audits which put a strong focus on economy, efficiency and effectiveness of activities, wastage of scarce training resources is, at the very least, poor management. A recent Performance Audit Report highlighted that a supervisory mission reviewing a \$10 million project had expressed serious concern over the management of the special account established to disburse project funds. Consequently, the mission carried out a detailed audit of the special account and found excessive use of funds for foreign training and the purchase of vehicles. These areas of abuse are very common.

The selection process for fellows under project funds, for example, may be subject to political influence and bribery rather than merit-based. Often a high proportion of training resources are required for travel and daily subsistence compared to the cost of the tuition or training course itself. For example, one civil servant who went to New Zealand on project funds for a university degree camped on the edge of the campus in a tent and scrupulously shepherded his room and board allowance. When he returned to his home country he had sufficient funds to resign from the civil service and successfully start his own business.

At least he returned and applied some of what he learned to the benefit of his fellow countrymen as well as himself! A more significant loss occurs when the person trained on aid funds not only fails to return to the public sector but, in fact, fails to return to his or her country at all.

As greater use is made of the opportunities to obtain training on-line in financial management fields, there will be fewer opportunities to exert inappropriate influence during the selection process and less incentive to do so since the financial advantages associated with training in-country are much less subject to abuse than overseas travel and study.

Supreme audit institutions can take the lead in encouraging in-country auditing and accountancy training by on-line courses for degrees and professional development. The United Nations has developed A System-wide Special Initiative on Africa which focuses, inter alia, on actively working to expand the information networking and telecommunications systems in Africa. Further, in August 1996, the United Nations Development Programme (UNDP) and the Hewlett-Packard Company announced an agreement to work together to help developing countries around the world receive a wide range of information technology, consulting and support services that could expand the use of the Internet and computer systems. With access to the Internet and increased training opportunities, individuals with

merit rather than individuals with connections can enjoy greater access to accounting and auditing careers and professional development opportunities in developing countries.

2. World Bank: General aspects of fighting corruption

Economic and financial efficiency - and corruption

In his 1996 Annual Meeting Speech the World Bank President, James Wolfensohn urged a world-wide fight against corruption. Amongst other things he said:

- As part of a new compact the Bank will help clients strengthen their financial sectors and reform expenditure programs.
- Issues of economic and financial efficiency need to be addressed, but we also need to address transparency, accountability, and institutional capacity.
- And we need to deal with the cancer of corruption.

Corruption

- diverts resources from the poor to the rich;
- increases the cost of running business;
- distorts public expenditures; and
- deters foreign investors.

Corruption also

- erodes the constituency for aid programs and humanitarian relief; and
- is a major barrier to sound and equitable development.

Solutions to corruption can only be home grown - national leaders need to take a stand and civil society plays a key role as well.

The Bank will

- help countries to implement national programs that discourage corrupt practices
- support international efforts to fight corruption and to establish voluntary standards of behaviour for corporations and investors in the industrialized world.

In addition, the Bank

- can give advice, encouragement and support to governments that wish to fight corruption;
- will not tolerate corruption in the programs that we support; and
- is taking steps to ensure that our own activities continue to meet the highest standards of probity.

Fighting Corruption

Even the Bank is at Risk

- The Bank is not immune from fraud - all our organizations are at risk
- There are huge costs - both financial and reputational
- We at the Bank have obligations to the public, our shareholders, external donors for trust funds--and most importantly--our clients, the poor people of the developing countries to fight corruption
- Some of our organizations may have disgruntled employees due to rapid change, down or "right" sizing, budget constraints, increasing decentralization, etc.--we therefore fit the "profile" for being at risk to fraud
- As a result, we can no longer depend on a culture of honor to ensure honesty and integrity

Prevention Vs Detection

- Because detection is so difficult and damage already occurred once a fraud has been committed emphasis should be placed on prevention rather than detection:
- First, institutions should emphasize managerial accountability - managers must understand that oversight of financial transactions is a core responsibility rather than "add-on work".

- Second, management must also reinforce the proper "tone at the top" and exercise front-end controls. (Warning: decentralization creates control exposures: typical institutional detective or back end controls may not be implemented by some managers)
- Efforts should include raising the consciousness of all staff to the risks and exposures for fraud and empowering financial and administrative staff to question transactions
- Prevention efforts assess the two preconditions for fraud- motivation and opportunity - and take action as warranted

What IAD is Doing

- IAD conducts seminars for operational staff, ResReps, etc. and encourages units to undertake control self assessments
- Training for IAD staff is provided, both internally and externally
- Methodology emphasizes both theory and case studies
- Staff Auditors are taught to identify "red flags" and fraud indicators as well as known patterns and schemes
- As warranted, outside expertise is utilized
- Audit Terms of Reference and plans are scrutinized prior to field work to ensure proper focus: too often audit work merely concentrates on detection controls and as a result, IAD makes concerted efforts to also assess the front end controls as well
- We also remind ourselves not to forget fundamentals – the cause of much fraudulent activity – such as segregation of duties
- Other initiatives include the consideration of an ethics hotline, strengthened ethics policy, including a fraud policy statement
- Outline hotline operation
- Off-site facility fields initial calls and then refers them to the Bank

Borrowers – WHAT AUDITOR GENERALS CAN DO

Assess the ethical or control environment

Integrity and Ethics

We begin by asking the right questions:

- Do politicians and civil servants have a code of conduct?
- Does government promote an appropriate "tone at the top"?
- Are politicians and civil servants judged on their integrity?
- Are dealings with staff, customers, suppliers, general population, etc. transparent?
- Do politicians and civil servants tend to override controls?
- Are there pressures to circumvent controls?

Assess the Independence of the Auditor-General's Office

- How is the AG appointed/dismissed?
- Who does the AG report to?
- Are the AG's reports made public?
- If the AG gives an adverse report, what action is taken?
- Does the AG follow any standards?
- Who approves the AG's budget?

Assess the Philosophy and Operating Style of Government and Senior Civil Servants

- Is the interaction between government and civil service appropriate?
- Are risks of corruption tolerated?
- Are there healthy attitudes towards accountability, controls, etc?

Assess Appropriateness of Personnel Policies and Practices

- Is there openness in hiring, disciplinary actions, etc?
- Are actions taken against corrupt politicians, civil servants, businesses?
- Is there enforcement of codes of conduct and other behavioural guidelines?

Assess the risks of corruption

- Are risks of corruption reflected in strategies, plans, budgets?
- Are the risks of corruption communicated?
- Are there appropriate laws against engaging in corruption?
- Are such laws aggressively enforced?

Communicate and Inform

- Are politicians' and civil servants' duties and control responsibilities outlined?
- Does the AG, legal profession, press, etc have channels to report corruption?
- Are civil servants encouraged to report corruption and means of reducing it?

Monitor

- Does AG (and others) routinely obtain evidence on controls against corruption?
- Is government responsive to AG's recommendations?
- Are politicians and civil servants required to periodically state they comply with codes of conduct?
- Are politicians and civil servants required to periodically state they have performed critical control activities?

Corruption in bank projects - an example

A Technical Education Project

The Project Account, the Special Account and the Interest Account were established at the start of the Project. A fourth account was also established but the Bank was never officially informed of this account and it had never been audited. Through supervision missions the Bank became aware of a variety of improper and apparently fraudulent accounting practices which have had a serious negative impact upon the successful implementation of the Project.

Project account

Findings

- Procurement of Low Priority and/or Unnecessary Items
- Overpayments for Goods
- Overpayments for Services - Local Consultants
- Procurement from Unqualified Suppliers
- Improper Fund Transfers
- Unacceptable Auditing

Conclusions

- Grossly inflated prices had been readily accepted by the project Implementation Unit and the Tenders Board
- Foreign exchange had been converted to local currency for local procurement i.e. Bank funds were used instead of counterpart funds
- Numerous expenditures were not accounted for
- Unqualified suppliers had been awarded large and overpriced contracts
- Transfers of large sums had not been fully documented

Special account

Findings

- Conversion of Dollars to Local Currency and Diversion of Funds
- Improper Withdrawal from Special Account, Substitution of Bank Funds for Counterpart Funds, and Diversion of Funds
- Improper Use of Special Account Funds

Conclusions

The Project Implementation Unit:

- Used Special Account funds to substitute for the Government's counterpart funds
- Transferred Special Account funds to the Project Account where they were used in the apparently fraudulent procurement of goods and services

- Used Special Account funds contrary to Bank instructions and guidelines
- Deposited funds into the Project Account that should have been returned to the Special Account

Interest account

Findings

- Travel and incidental expenses without supporting documentation or subsequent accounting
- Dollars withdrawn as cash and redeposited in local currency
- Inconsistent procedures in transferring funds between Project Implementation Unit accounts

Conclusions

- Questionable Travel Expenses
- Questionable Transfers to Unaudited Accounts
- Floating of Fund Transfers

LESSONS LEARNED

- Establish Strict Accounting Guidelines
- Increase Bank Supervision
- Little Things Are Important

Indicators of kickbacks and conflicts

The Association of Certified Fraud Examiners (a group to which IAD belongs) has issued a White Paper on the Red Flags of Kickbacks and Conflicts. Since kickbacks involve payment of a thing of value to influence a business decision, the red flags may be predictable the indicators.

The Corrupt Buyer

- Accepts (sometimes openly) inappropriate gifts, travel or entertainment
- Lives beyond their means

- Displays sudden wealth
- Escapes financial problems (e.g. pays off loans)
- Has an undisclosed business (used to receive and hide payments)
- Handles all matters related to the suspected supplier, even though this may be outside or below their normal duties
- Favours the suspected supplier in selection, allows buyer to default without penalties, etc.
- Buys through an unnecessary broker or middleman (a convenient conduit for payments)

The Corrupt Supplier

- Is improperly selected (e.g. sole source instead of competitive bid)
- Charges an unreasonably high price
- Gets an unusually high volume of business
- Delivers low quality
- Easily and frequently gets approvals for change orders and price increases
- Otherwise abuses the business relationship without sanctions from the buyer

Seven Steps to Investigate a Suspected Kickback Case - A Methodology for Action

- If a tip has been received fully debrief the tipster
- Review internal documents and data to determine if kickback indicators are present
- Conduct background checks of the suspect parties
- Interview honest subordinates of suspect employees
- Interview and request documents from unsuccessful suppliers
- Interview and request documents from suspect suppliers
- Only after the above is completed, interview and request documents from the suspect employee

**3. Commission of the European Communities:
Action programme of the Commission of the European Communities
against corruption and mismanagement**

Introduction

It is a privilege and a pleasure to address this INTOSAI meeting. The fact that you have invited me to do so illustrates the vital and common interest of the internal and the external auditor in working together in the fight against fraud, corruption and mismanagement.

My theme today is “The action programme of the Commission of the European Communities against corruption and mismanagement”. I want to deal with this theme by telling you about the measures we are taking in the European Union to raise effective defences against fraud and corruption - against the enemy without and within.

What is the size of the problem in the European Union ?

The frank answer is that we do not know. We know - as you do -

- that organised crime world-wide is estimated to pull in some 750 billions of dollars a year : a six fold increase over 10 years
- that fraud detected against the annual European Union budget of 85 billions ECU or 107 billion dollars amounts to some 1,4 %
- that according to a study the Commission published in 1988 public procurement in Europe would cost the taxpayer 20 billion ECU or 25 billion dollars less each year if the public procurement rules were complied with.

The details of these figures have a certain curiosity value, but they are less important than the fact that there is a significant volume of fraud and corruption.

Statistics suggests that the incidence is greater in some parts of the world than in others, but it exists everywhere and the basic defences will be the same everywhere.

What is the European Union doing? In particular what is the European Commission doing since it is responsible under the treaty for executing the 100 billion dollar budget I mentioned a moment ago?

When President Santer presented the new Commission to the European Parliament in January 1995 he promised “to improve the financial and administrative culture of the Commission”. Shortly after, the Commission launched an initiative headed by Commissioner Gradin - responsible for financial control and the fight against fraud - and Commissioner Liikanen responsible for the budget and administration. It was called Sound and Efficient Management 2000 (SEM 2000) and was launched in three phases. The first dealt with the internal financial and resource management. The second with possible procedural and regulatory changes. The third phase consists of a joint action with the Member States to improve budget execution and financial management of the 80% of the European Union budget which is managed and spent in, and by, the Member States.

Our problem is how in a short time - we have only been in existence since the early 1950's - does a grouping which has gone from 6 to 9 to 10 to 15 cultures create an effective corporate ethic. We began - as I said - by looking at financial and resource management structures and procedures. It soon became clear that top managers are more interested in policy-making than in financial management and that this is reflected in the way departments are managed. The brightest and best staff are for policy-making and they are the ones who come to mind when promotions are being considered. So how does one set about changing this ? How does one motivate people to become financial managers? In Phase I the Commission decided that properly staffed financial and resource management units would be set up and would be directly responsible to the Director General. It also insisted that financial management experience should be taken into account both for recruitment and career management.

The Commission also looked at the procedures and found that they tended to result in people avoiding responsibility or shielding behind a row of signatures or the financial controller's approval stamp. People always feel more comfortable if ten others have signed the payment order. It always reminds me of an audit mission I did to a far-off country receiving development aid. On one project we admired the artistic beauty of at least a dozen signatures on each claim for payment - until we realised that the clarity of signature was necessary to make sure that its owner received his share of the over-pricing.

In the Commission system, we have three main actors in financial management. The first is the authorising officer, who is responsible for proposing and executing expenditure in accordance with the rules and regulations. The second is the Financial Controller, who is responsible for ensuring that the authorising officer does what he is supposed to do. The third is the Accountant, who keeps the books and checks the details before payments are actually made. In this situation, the authorising officer tends to rely on the Financial Controller and on the Accountant to pick up the mistakes and put right the consequences of

poor management. It means in practice that the manager tends to avoid taking full responsibility for financial transactions.

The problem of making the top managers and the financial management units feel responsible for transactions and not expect the Financial Controller or the Accountant to check out everything, is deep-rooted. To combat this we are trying to change attitudes in Phase 2 of the Initiative, by rationalising ex ante control through the use of internationally accepted audit techniques, including systems audits, quality appraisal and sampling. This is being done in partnership with the financial manager and the Accountant. The process will be completed by developing and extending the role of the Commission's Financial Controller as Internal Auditor. In this way, the Financial Controller can rationalise the ex ante vetting of 360 000 transactions a year, while ensuring, through internal audit, that financial managers are doing their job properly, with effective management and control systems, and a high quality performance in terms of mistake-free transactions, and personal responsibility at every level. In these days of sophisticated computer systems, there is a tendency to overlook the essential requirement for sound financial management, which is basic accounting, and keeping the books straight. We need to change this attitude.

In the course of this action against corruption and mismanagement we have naturally made it clear that bad financial management and negligence and misconduct will be sanctioned. This in turn has led to financial management staff feeling threatened to such an extent that some have even asked to be moved to other work. It is necessary in these circumstances to reassure staff that there is no question of someone being punished for an isolated and genuine mistake - although clearly we would not allow a situation to continue where life becomes a long series of genuine mistakes.

During this initiative we have come back again and again to the need for clarity and simplicity of both concept and procedure. Each official must know what his or her job is and have a clear definition of tasks and responsibilities. This is also the occasion when delegating financial management tasks to an official to require him or her to sign a two-fold declaration - that he or she has read the description of the tasks, has clearly understood what is involved, and that there is no risk of conflict of interest in the matters he or she will be dealing with.

In addition to making individual officials assume fully their responsibilities it is essential to make sure that the internal control and internal audit procedures and structures are in place and functioning satisfactorily. It is often necessary to make top management understand that internal control is its responsibility and covers the whole range of systems managing staff and assets, including the proper management of receipts and expenditure.

The importance of internal audit cannot be over-emphasised. We often hear in the public service that we are bureaucratic and fearful compared with the risk-taking entrepreneurs of the private sector. Mr Leeson and his colleagues of Baring Bank have done an immense service to the cause of proper internal control and internal audit. They have shown what happens when top management is more concerned with profit and apparent success than with sound financial management, and does not want to know about irritating controls and rules. If some of the high fliers had at least understood what was happening they could have averted disaster. Top management did not want to know - middle management did not want to admit that it did not know or understand what was going on.

In Phase 2 of the Commission initiative SEM 2000 we have dealt with the need to rationalise ex-ante controls and develop internal audit, to evaluate before, during, and after an action, and not to make proposals which have not been properly costed in terms of money and human resources.

A vitally important action in Phase 2 of SEM 2000 is what we call Fraud proofing. You will be aware of the attention which the Commission, and the European Union as a whole, has been devoting to the problem of fraud. Much remains to be done, and we are relying on Member States to intensify the fight against fraud, through cooperation between the customs and police authorities and by taking more effective and coordinated action through the judicial and penal systems. For its part, the Commission has been able to bring out more clearly the incidence of fraud in different areas of the EU budget. The detection of fraud has been increased with the figure now standing at 1.4% of the Community budget as I mentioned earlier. Last week the Commission approved guidelines to the Commission services on the need to screen draft legislation for potential fraud loopholes. We have learned from bitter experience that fraud tends to thrive where legislation is unnecessarily complex, where movements of goods between EU and non-EU countries are involved, where programmes are organised on networks of organisations in different countries, with confused lines of communication and book-keeping. In the initial stages it is Financial Control and the Anti-Fraud Service - UCLAF - which will have the prime responsibility for pointing out those aspects of draft decisions and regulations which open the way for fraud and irregularities. The intention is that over time spending departments themselves will develop a reflex based on experience in different areas of activity, which will ensure that spending programmes are as really fraud-proof.

Let me say a word about Phase 3 of SEM 2000 - the cooperation with the Member States to ensure sound financial management of the 80% of the EU budget which is managed by, and

spent in, the Member States - nearly 50% for the Common Agriculture Policy (financed 100% by the EU) and just over 30% for the Structural Funds (cofinanced by the Member States). What we are trying to do is to ensure that there is effective coordination of internal control, internal audit and external audit. There is a positive plethora of verifications and audits. I heard about a project in a programme which had been visited by seven different sets of auditors. Nevertheless overall the resources available for control and audit bear no relation to the scale of the problems with which we have to deal. It is essential that we use them with the maximum efficiency. Internal audit must make full use of the work of internal control and there must be a sufficient alignment of methodology to enable the external auditor to use the results of the internal auditor and avoid duplication. For the Structural Funds where we use existing management and audit bodies in the Member States my department as the Commission's internal auditor has made agreements with the corresponding audit authorities in the Member States. These agreements cover agreed methodology and the establishment of coordinated annual programmes of on the spot audits. These programmes include the audits of the European Court of Auditors while fully respecting its independence and institutional prerogatives."

Conclusion

There is no simple remedy for corruption. I fear that it will always be there. We can and must strengthen our defences to keep it to a minimum. These defences will be threatened by buzzwords and over-sophistication. They will be threatened by the disease - which has recently been diagnosed by serious doctors - called hyper information. Managers become so overwhelmed by the information they are expected to manage that they develop cravings for ever more information until they reach saturation point and become incapable of taking even the simplest decisions. Whatever the validity of this diagnosis may be there is no doubt that over - complicated systems and concepts are a breeding ground for fraud and corruption. At least one audit service has produced a guide to fraud - proofing containing some 49 red flags for danger and this is clearly a large number of flags too many. We have to strike a balance between extremes, and in particular we have to base ourselves on proved experience of the kind which becomes suspicious, for example, when an official consistently fails to take his leave. So let us go for common-sense defences based on sound and transparent management, on basic book keeping, and on well trained and highly motivated staff.

4. List of papers

1. Country papers by SAIs

Author	Country	Title
Dr. Blerim Cela	Albania	The Role of the SAI in fighting corruption and mismanagement
Abdelmoumène Chouiter	Algeria	La lutte contre la corruption et la mauvaise gestion Rôle des institutions supérieures de contrôle
	Benin	Rôle d'une institution supérieure de contrôle dans la lutte contre la corruption et la mauvaise gestion: Cas de la Chambre des comptes de la Cour Suprême du Bénin
	Brazil	La experiencia del tribunal de cuentas de la unión en el combate a la corrupción y mala gestión
Marian Liehoun	Burkina Faso	Rôle de l'Inspection générale d'Etat dans la lutte contre la corruption et la mauvaise gestion au Burkina Faso
Yu Weiping	China	Role of SAIs in Fighting Corruption and Mismanagement
Audit Office	Cyprus	The Role of SAIs in fighting corruption and mismanagement
Dr. Magdy Bogdady	Egypt	Le rôle de l'Organisme Central des Comptes (O.C.C.) dans le contrôle des fonds publics en Egypte
	Eritrea	The Role of the Office of the Auditor General in Preventing Corruption and Mismanagement
Petr Chernomord	Russian Federation	The Accounts Chamber of the Russian Federation
	Fiji	Prevention of Corruption and Mismanagement
Lucien Mpage	Gabon	Le rôle des ISC dans la lutte contre la corruption et la mauvaise gestion Communication de la Cour des Comptes du Gabon
Office of the Auditor General	Guyana	The Role of SAIs in fighting corruption and mismanagement
Hani Ibrahim Musmar	Jordan	The SAI's role in detecting irregularities and mismanagement
Office of the Controller and Auditor General	Kenya	The Role of SAIs in fighting corruption and mismanagement
Damir Oskombayev	Kyrgyzstan	The Role of SAIs in fighting corruption and mismanagement
State Audit Bureau	Kuwait	The Role of SAIs in fighting corruption and mismanagement
	Morocco	Les moyens de lutte contre la corruption au Maroc

Author	Country	Title
Tribunal Administrativo	Mozambique	Rôle des ISC dans la lutte contre la corruption et la mauvaise gestion
G. Singh	Uganda	The Role of SAIs in fighting corruption and mismanagement
Ionel Stefan	Romania	La Place et le rôle de la Cour des comptes de Roumanie dans le domaine de la lutte contre le phénomène de corruption économique et financière
	Slovakia	The Role of the SAI of Slovakia in fighting corruption and mismanagement
	Uruguay	El papel de las EFS en la lucha contra la corrupción y la mala gestión
Eduardo Roche Lander	Venezuela	El caso Venezuela: La Contraloría General de la República y su lucha contra la corrupción y la mala gestión
	Vietnam	The initially - obtained experiences by the State Audit of Vietnam in preventing and fighting corruption and mismanagement in Vietnam

2. Presentations by SAIs

Author	Country	Title
Gabriel Mignot	France	The role of supreme audit institutions in fighting corruption and mismanagement
S. Lakshminarayanan	India	Role of SAI of India in highlighting mismanagement and inefficiency
Lic. Alfredo Hernández Sánchez Mejorada	Mexico	Strategies and measures to control corruption in the public administration
Herbert Anderl	Austria	The contribution supreme audit institutions can make to prevent and detect corruption in public procurement

3. Papers by other organizations

Author	Organization	Title
Alan Pratley	European Communities	Action programme of the Commission of the European Communities against corruption and mismanagement
Abdel Hamed Bouab	United Nations	Fighting Corruption and Mismanagement in the Public Sector
Graham Joscelyne	World Bank	General aspects of fighting corruption

5. List of participants

Mr. Eduard Tahiri
Auditor
State Control Service
Boulevard Deshmoret e Kombit
Tirana
Albania
Tel: ++355 (42) 324 91
Fax: ++355 (42) 324 91

Mr. Nail Kastrati
Chief Inspector
State Control Service
Boulevard Deshmoret e Kombit
Tirana
Albania
Tel: ++355 (42) 324 91
Fax: ++355 (42) 324 91

M. Abdelmoumène Chouiter
Président de Chambre
Cour des Comptes
38 Avenue Ahmed Ghermoul
16000 Alger
Algérie
Tél: ++213 (2) 66 65 68, 66 66 81
Fax: ++213 (2) 66 10 65, 66 85 71

Mr. Majeed Attia Maki Salman
Ministry of Finance and National
Economy
P.O. Box 333
Manama
Bahrain
Tel: ++973 526 61-0, 53 30 20
Fax: ++973 532 896, 53 00 33

M. Adjibodou O. Assomption
Vérificateur à la Chambre des Comptes
Chambre des Comptes à la Cour Suprême
B.P. 330
Cotonou
Bénin
Tél: ++229 (31) 31 05, 50 47
Fax: ++229 (31) 31 53

Sr. Paulo Affonso Martins de Oliveira
Ministro
Tribunal de Contas da União
Setor Sul de Administração
Federal -SAFS-
LOTE 01
BR-70.042-900 Brasília DF
Brasil
Tel: ++55 (61) 223 - 5314, 316 - 7256
Fax: ++55 (61) 322 - 5290
E-mail: sergio@pop3.tcu.gov.br

Sr. Sergio Freitas de Almeida
Asesor de Relaciones Internacionales
Tribunal de Contas da União
Setor de Administração Federal -SAFS-
LOTE 01
BR-70.042-900 Brasília DF BRAZIL
Brasil
Tel: ++55 (61) 223 - 5314, 316 - 7256
Fax: ++55 (61) 322 - 5290
E-mail: sergio@pop3.tcu.gov.br

Mme Mariam Liehoun
Inspecteur d'Etat
Inspection Générale d'Etat
01 B.P. 617
Ouagadougou 01
Burkina Faso
Tél: ++226 31 16 09, 31 39 16
Fax: ++226 30 57 04, 31 49 26

Ms. Dr. Weiping Yu
Deputy Director General
Foreign Fund Application Audit Dept.
National Audit Office of the People's
Republic of China
1 Beiluyuan, Zhanlan Road
Xicheng District
Beijing 100830
China
Tel: ++86 (10) 6 830 19 12
Fax: ++86 (10) 6 833 09 58

Mr. Spyros Christou
Deputy Auditor General
Audit Office of the Republic
12, Vyzantiou Str.
Nicosia 152
Cyprus
Tel: ++357 (2) 30 22 31
Fax: ++357 (2) 36 81 53

Dr. Magdi Bogdadi
Director General
Central Auditing Organization
Madinet Nassr
P.O. Box 11789
Cairo
Egypt
Tel: ++20 (2) 393 35 07, 392 37 88
Fax: ++20 (2) 261 58 13, 401 70 86, 262 97 33

Lic. Alfonso Bonilla Hernandez
Director de Auditoría
Corte de Cuentas de la República
13 Calle Poniente y 1 Avenida Norte
Código Postal 01-107
San Salvador
El Salvador
Tel: 00503 271 09 56, 271 09 57
Fax: 00503 271 09 29, 271 09 26

Mr. Gherezgiher Ghebremedhin
Deputy Auditor General
Office of the Auditor General (OAG)
P.O. Box 918
Asmara
Eritrea
Tel: ++291 (1) 11 80 32, 11 35 23,
11 05 89, 11 69 78
Fax: ++291 (1) 12 66 06

Mr. Mikaele Wara
Principal Auditor
Auditor General's Office
P.O. Box 2214
Suva
Fiji
Tel: ++679 21 14 40
Fax: ++679 30 38 12

M. Lucien Mpage
Magistrat, Président de Chambre à la
Cour des Comptes
Cour des Comptes
B.P. 752
Libreville
Gabon
Tél: ++241 70 40 - 76, 71 11 46
Fax: ++241 70 40 - 81, 70 40 - 82

M. Bachir Touré
Président de la Cour des Comptes
Cour des Comptes
B.P. 1757
Conakry
Guinée
Tél: ++224 41 11 65
Fax: ++224 41 54 37, 41 34 76

Mr. Swatantra Anand Goolsarran
Auditor General
Office of the Auditor General
63 High Street
P.O. Box 1002
Kingston, Georgetown
Guyana
Tel: ++592 (2) 575 92
Fax: ++592 (2) 672 57

Mr. Hani Musmar
Under Secretary Assistant
Divan Al Muhasabeh
P.O. Box 950334
Amman
Jordan
Tel: ++962 (6) 66 31 74, 66 31 76
Fax: ++962 (6) 66 31 80

Mr. S.M. Maluki
Deputy Auditor General
Office of the Controller and
Auditor General
P.O. Box 30084
Nairobi
Kenya
Tel: ++254 (2) 34 00 99, 33 57 77
Fax: ++254 (2) 33 08 29

Ms. Eman Bader Al-Abdul Razzaq
State Audit Bureau
P.O. Box 1509 - Safat
13 016 Kuwait
Kuwait
Tel: ++965 242 10 36
Fax: ++965 244 20 80

Mr. Meta'eb Fahed Al-Mutairi
State Audit Bureau
P.O. Box 1509 - Safat
13 016 Kuwait
Kuwait
Tel: ++965 242 10 36
Fax: ++965 244 20 80

Mr. Sulaiman Soud Al-Zayed
Assistant Undersecretary
State Audit Bureau
P.O. Box 1509 - Safat
13 016 Kuwait
Kuwait
Tel: ++965 242 10 36
Fax: ++965 244 20 80

Mr. Abdoualim Nichanov
Auditor
Chamber of Control of Kyrgyzstan
205, Chui Prospect
720003 Bishkek
Kyrgyzstan
Tel: ++7 (3312) 22 24 04
Fax: ++7 (3312) 21 87 46

Ms. Danutė Sidabraitė
Deputy Head of the Department of Control
of Budgetary Entities
Valstybės Kontrolės Departamentas
(The State Control Department)
Pamėnkalnio 27
2669 Vilnius
Lithuania
Tel: ++370 (2) 62 16 46, 62 25 80
Fax: ++370 (2) 62 50 92

Sr. José Luis Nava Diaz
Ingeniero Civil
Director Auditoría
Contaduría Mayor de Hacienda
Morelos No. 82
Col. Juárez
México D.F. C.P. 06600
Mexico
Tel: ++52 (5) 546 21 07 - 34 46 71
Fax: ++52 (5) 705 55 63 - 34 15 66

M. Mohamed Hadhoudi
Conseiller à la Cour des Comptes
Cour des Comptes
44 Av. de France, Agdal
B.P. 706
Rabat
Maroc
Tél: ++212 (7) 77 30 32
Fax: ++212 (7) 77 31 68, 68 03 77

M. Benaïssa Tadjoue
Conseiller à la Cour des Comptes
Cour des Comptes
44 Av. de France, Agdal
B.P. 706
Rabat
Maroc
Tél: ++212 (7) 77 30 32
Fax: ++212 (7) 77 31 68, 68 03 77

M. António Luís Pale
Président du Tribunal Administrativo
Tribunal Administrativo
Caixa Postal 278
Avenida Mateus Sansao Muthemba, no. 65
Maputo
Mozambique
Tél: ++258 (1) 49 27 43, 49 03 74
Fax: ++258 (1) 49 36 45, 49 42 93

Mr. Stefan Ionel
Director, Audit Financial Direction
Curtea de Conturii României
(Court of Audit)
22-24 rue Lev Tolstoi
Bucaresti 1
Romania
Tel: ++40 (1) 210 13 77
Fax: ++40 (1) 210 13 64

Mr. Fyodor E. Shelyuto
Head of International Relations
Schotnaya Palata Rossiyskoy Federatsii
(Accounts Chamber)
ul. Giljarovskogo 31
129 090 Moskva
Russian Federation
Tel: ++7 (095) 284 - 8725,- 8341, - 8242, - 8310
Fax: ++7 (095) 284 - 8666

Mr. Pyotr Chernomord
Schotnaya Palata Rossiyskoy Federatsii
(Accounts Chamber)
ul. Giljarovskogo 31
129 090 Moskva
Russian Federation
Tel: ++7 (095) 284 - 8725,- 8341, - 8242, - 8310
Fax: ++7 (095) 284 - 8666

Mr. Ing. Karol Svitel
Director General
Najvyšší kontrolný úrad Slovenskej republiky
Supreme Audit Office of the Slovak Republic
Priemysel'ná 2
SK - 824 73 Bratislava
Slovakia
Tel: ++42 (7) 213 - 128, 214 - 562
Fax: ++42 (7) 213 - 005, 566 23 65

Mr. Singh Gurbachan
Director of Audit
Central Government Division
Office of the Auditor General
P.O. Box 7083
Kampala
Uganda
Tel: ++256 (41) 25 54 87, 24 56 68
Fax: ++256 (41) 24 56 74

Dr. Santiago Fonseca Muñoz
Sub-Director General, División
Servicios Jurídicos
Comisión Organizadora XVI INCOSAI
Tribunal de Cuentas de la República
Juan Carlos Gómez 1324
CP 11000
Montevideo
Uruguay
Tel: ++598 (2) 95 81 36, 96 10 32 / 36
Fax: ++598 (2) 96 75 07, 96 18 06

Dr. Eduardo Roche Lander
Contralor General de la República
Contraloría General
Avenidas Andrés Bello
Apartado 1917
Caracas 1050-A
Venezuela
Tel: ++58 (2) 571 - 9920, - 9908;
508 - 3745, - 3303
Fax: ++58 (2) 571 - 8064, 508 - 3401, 575 - 3940
E-mail: 102213.3237@compuserve.com

Dr. Filippo Vagnoni
Director General
Contraloría General
Avenidas Andrés Bello
Apartado 1917
Caracas 1050-A
Venezuela
Tel: ++58 (2) 571 - 9920, - 9908;
508 - 3745, - 3303
Fax: ++58 (2) 571 - 8064, 508 - 3401, 575 - 3940
E-mail: 102213.3237@compuserve.com

Mr. Tran Minh Khai
Auditor
Audit of Financial Statements
State Audit
33 Hung Vuong
16 Le Hong Phong
Ba Dinh - Hanoi
Viet Nam
Tel: ++84 (4) 843 25 17
Fax: ++84 (4) 843 31 45

6. List of speakers

Dr. Franz Fiedler
Präsident des Rechnungshofes
Generalsekretär der INTOSAI
Rechnungshof
Dampfschiffstraße 2
Fach 240
A-1033 Wien
Austria
Tel: ++43 (1) 711 71-8456
Fax: ++43 (1) 712 94 25
E-mail: rh.into@magnet.at
WWW: <http://www.intosai.magnet.at/intosai/>

MinR Mag. Dr. iur Herbert Anderl
Leiter der Abteilung I/7 im Rechnungshof
Rechnungshof
Dampfschiffstraße 2
Fach 240
A-1033 Wien
Austria
Tel: ++43 (1) 711 71 - 8264
Fax: ++43 (1) 718 09 69

Mr. Alan Pratley
Deputy Financial Controller
European Commission
Rue de la loi 200
Wetstraat 200
B-1049 Bruxelles
Belgium
Tel: ++32 (2) 295 37 75
Fax: ++32 (2) 295 01 41, 295 66 35

M. Gabriel Mignot
Conseiller maître et Président de la Chambre
régionale des comptes d'Alsace
Chambre régionale des comptes d'Alsace
14, rue du Faubourg de Pierre
67 000 Strasbourg
France
Tél: ++33 (88) 14 36 00
Fax: ++33 (88) 23 02 57

Mr. S. Lakshminarayanan
Principal Accountant General
Office of the Comptroller and Auditor General
10 Bahadur Shah Zafar Marg
New Delhi 110002
India
Tel: ++91 (11) 323 - 7866
Fax: ++91 (11) 323 - 5446
E-mail: cag@giasdl01.vsnl.net.in

Lic. Alfredo Hernández Sánchez Mejorada
Contaduría Mayor de Hacienda
Morelos No. 82
Col. Juárez
México D.F. C.P. 06600
México
Tel: ++52 (5) 524 57 46
Fax: ++52 (5) 534 15 66

Mr. Abdel Hamid Bouab
Officer-in-Charge
Public Finance and Enterprise
Management Branch
United Nations
DDSMS/DPADM/PFEMB
Room DC1-1428
New York, N.Y. 10017
United States of America
Tel: ++1 (212) 963 - 8406, 963 - 2916
Fax: ++1 (212) 963 - 9681

Mr. Graham Joscelyne
Auditor General
Internal Audit Department
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Tel: 001 (202) 458 - 5412
Fax: 001 (202) 522 - 3575
E-mail: gjoscelyne@worldbank.org

7. List of observers

Mr. John van den Berg
Project Manager for Integrity Issues
Algemene Rekenkamer
Lange Voorhout 8
PO BOX 20015
NL-2500 EA-'s-Gravenhage
Netherlands
Tel: 0031 (70) 370 66 03, 34 24 - 148
Fax: 0031 (70) 370 79 09, 34 24 - 411
E-mail: from about Nov 96: BJZ@Rekenkamer.nl
WWW: <http://www.Rekenkamer.nl>

Mrs. Winnie Hartman
Editor
Algemene Rekenkamer
Lange Voorhout 8
PO BOX 20015
NL-2500 EA-'s-Gravenhage
Netherlands
Tel: 0031 (70) 34 24 - 148
Fax: 0031 (70) 34 24 - 411
E-mail: BJZ@Rekenkamer.nl
WWW: <http://www.Rekenkamer.nl>

Dr. Paul Brügger
Rechtsanwalt/Advocat
Vorsitzender des Kollegiums der Rechnungsprüfer der EFTA
Eidgenössische Finanzkontrolle
Monbijoustrasse 51a
CH-3003 Bern
Schweiz
Tel: ++41 (31) 323 10 05
Fax: ++41 (31) 323 11 01

Mr. Donald R. Drach
Deputy Director of International Audit Organization
Liaison (OIAOL) and Programs
Editor International Journal of Government Auditing (IJGA), Inc.
General Accounting Office
Room 7806
441 G. Street, N.W.
Washington, D.C.20548
United States of America
Tel: ++1 (202) 512 - 4712, - 4707
Fax: ++1 (202) 512 - 4021
E-mail: drachd@gao.gov; 75607.1051@compuserve.com
WWW: <http://www.gao.gov>

Mr. Bob Lippencott
General Accounting Office
Room 7806
441 G. Street, N.W.
Washington, D.C.20548
United States of America
Tel: ++1 (202) 512 - 4712, - 4707
Fax: ++1 (202) 512 - 4021

8. Conference secretariat

Mr. Abdel Hamid Bouab
Officer in Charge
Public Finance and Enterprise Management Branch
United Nations
DDSMS/DPADM/PFEMB
Room DC1-1428
New York, N.Y. 10017
United States of America
Tel: ++1 (212) 963 - 8406, 963 - 2916
Fax: ++1 (212) 963 - 9681

Dr. Franz Fiedler
Präsident des Rechnungshofes
Rechnungshof
Dampfschiffstraße 2
Fach 240
A-1033 Wien
Austria
Tel: 0043 (1) 711 71-8456
Fax: 0043 (1) 712 94 25

Mag. Reinhard Rath
Abteilungsleiter
Rechnungshof
Dampfschiffstraße 2
Fach 240
A-1033 Wien
Austria
Tel: 0043 (1) 711 71-8350
Fax: 0043 (1) 718 09 69

Dr. Gertrude Schlicker
Abteilungsleiter-Stellvertreterin
Rechnungshof
Dampfschiffstraße 2
Fach 240
A- 1033 Wien
Austria
Tel: 0043 (1) 711-71-8330
Fax: 0043 (1) 718 09 69