International Journal of GOVERNMENT AUDITING

The *International Journal of Government Auditing* is published quarterly (January, April, July, October) in Arabic, English, French, German, and Spanish on behalf of INTOSAI (International Organization of Supreme Audit Institutions). The *Journal*, which is the official organ of INTOSAI, is dedicated to the advancement of government auditing procedures and techniques. Opinions and beliefs expressed are those of editors or individual contributors and do not necessarily reflect the views or policies of the organization.

The editors invite submissions of articles, special reports, and news items, which should be sent to the editorial offices at U.S. Government Accountability Office, Room 7814, 441 G Street, NW, Washington, D.C. 20548, U.S.A. (phone: 202-512-4707; fax: 202-512-4021; e-mail: intosaijournal@gao.gov).

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

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

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IMPLEMENTING INTOSAI's STRATEGIC PLAN:
BUILDING ON THE PAST, CREATING THE FUTURE

editor's note

This editorial of the *Journal* introduces a new feature, "Spotlight on the Strategic Plan," that will focus on the actions INTOSAI is taking to implement its strategic plan. In the 8 months since INTOSAI's strategic plan was unanimously adopted at the 18th INCOSAI in Budapest, the Governing Board, its Finance and Administration Committee, and other INTOSAI bodies have led the way in implementing the plan.

Highlights of the significant progress made in implementing INTOSAI's strategic plan since it was adopted in October 2005 include the following:

• The Governing Board met in Budapest immediately after the closing plenary session of the congress. It appointed a five-member Finance and Administration Committee to begin implementing goal 4 and identified a number of financial and other tasks for the committee to address that will help make INTOSAI a model organization. The board began implementing the new and expanded membership criteria when it voted to accept the European Court of Auditors as the first INTOSAI member representing a supranational organization.

• On January 17, 2005, the Finance and Administration Committee, represented by all auditors general serving on the committee, met in Vienna to deliberate on a wide variety of goal 4 implementation strategies. The committee developed options and specific recommendations on these issues for review by the Governing Board at its meeting 2 months later.

• At its extraordinary meeting in Budapest on March 18, 2005, the Governing Board appointed Denmark as chair of the new Professional Standards Committee (goal 1) and Portugal as goal 1 liaison, Morocco as chair of the new Capacity Building Committee (goal 2) and the USA as goal 2 liaison, and India as goal 3 liaison. In addition, the board approved a job description and process for recruiting a director of strategic planning, to be seconded by an SAI; the General Secretariat announced the position and is accepting applications for this new position. The board began weighing options for membership dues for the new categories or supranational and associate membership.

• The SAI of Portugal, in its role as liaison for goal 1, hosted a working meeting in Lisbon for goals 1, 2, and 3. Representatives from committee chairs and the

goal liaisons discussed practical operational issues such as the leveraging of technology to enhance communications, reporting procedures, and preliminary terms of reference for the Professional Standards and Capacity Building Committees.

- The SAIs of Denmark and Morocco, as chairs of the Professional Standards and Capacity Building Committees, respectively, drafted terms of reference for the new committees and have begun circulating the drafts to SAIs for comment. The draft terms of reference share much in common in terms of structure and adherence to INTOSAI's core values: independence, integrity, professionalism, credibility, inclusiveness, cooperation, and innovation.

- The SAI of India, in its role as liaison for goal 3/knowledge-sharing liaison and also as chair of the IT Audit Committee, has begun drafting a concept paper on how INTOSAI can leverage technology to improve knowledge sharing. Specifically, the paper will explore how communication can be most effective and efficient between SAIs; among the various INTOSAI committees, working groups, and other programs; across INTOSAI's seven regional working groups; and with external partners. The paper will also help identify how this *Journal* can facilitate this process.

- The INTOSAI Development Initiative (IDI) held a strategic planning focus group meeting in Oslo, attended by a number of auditors general, to help chart IDI's next 5-year program and discuss how IDI can best support the INTOSAI strategic plan and the Capacity Building Committee under goal 2 of the plan. At the same time, the staff of this *Journal* has begun to explore how to transform the publication into a more dynamic, web-based tool for knowledge sharing.

- Throughout these 9 months of intense activity, INTOSAI President Arpad Kovacs and Secretary General Josef Moser, along with many SAI heads from all parts of the world, have played active roles in facilitating and promoting the strategic plan. Their leadership has been and will continue to be essential to the plan's implementation.

- As this issue of the *Journal* goes to press, final plans are being made for the July 25, 2005, meeting of the Finance and Administration Committee. The meeting agenda will include drafting a protocol for a more integrated, strategic approach for working with donors, screening applications for the director of strategic planning, developing recommendations for admission of associate members, and reviewing a proposed concept paper on communications and knowledge sharing. The Governing Board will consider and vote on the committee's recommendations at its November 10-11, 2005, meeting in Vienna.

NEWS

IN

brief

Australia

New Auditor-General Appointed

The Australian National Audit Office (ANAO) is pleased to announce the appointment of Ian McPhee as Auditor-General for Australia, effective March 11, 2005.

Ian McPhee

Mr. McPhee began his career with the ANAO in 1971. From August 1995 until January 2003, he was the Deputy Auditor-General, responsible for the delivery of the ANAO's performance and assurance audit programs. From January 2003 until his appointment as Auditor-General,

Mr. McPhee was Deputy Secretary in the Department of Finance and Administration, where his responsibilities included managing and providing policy advice to the Finance Minister on the budget and financial management framework; budget and financial reporting and analysis for whole-of-government purposes; public sector superannuation; and the Office of Evaluation and Audit.

In 2002, Mr. McPhee was awarded the Public Service Medal for outstanding public service to public sector accounting and auditing and the development of industry accounting standards. Mr. McPhee is a fellow of CPA Australia and the Institute of Chartered Accountants in Australia. He is also a member of the Australian and International Auditing and Assurance Standards Boards.

Mr. McPhee is highly committed to the ANAO and the profession of auditing, and he enjoys widespread support within and outside the Australian public service. He looks forward to participating in INTOSAI activities and contributing to the sharing of public sector audit knowledge and experience.

For additional information, contact: ANAO Director of External Relations and Publications, fax: +61 2 6203 7519; e-mail: ag1@anao.gov.au; Web site: www.anao.gov.au.

Bulgaria

New President of the National Audit Office

On April 7, 2005, Dr. Valeriy Dimitrov was elected president of the National Audit Office of the Republic of Bulgaria by the National Assembly. He succeeds Dr. Georgi Nikolov, who completed his term of office.

Upon his election, Dr. Dimitrov stated that he will work together with his new team to strengthen the National Audit Office's independence and the public's confidence in the institution. The guiding principles for the office's activity will be impartiality, competence, and a constructive and open-minded approach to all government institutions.

Valeriy Dimitrov

Dr. Dimitrov believes that Bulgaria's membership in the European Union is the most serious challenge the government is facing, but the National Audit Office is prepared to help the government meet this challenge, in particular through the successful audit of resources received from European funds.

Born in 1954 in Sofia, Dr. Dimitrov graduated with a degree in law. From 1984 until his appointment, he was a lecturer in financial, banking, and stock exchange law at the University of National and World Economy in Sofia.

From 1991 to 2001, he was a legal adviser to the Governor and the Governing Board of the Bulgarian National Bank (BNB). From 1996 to 2001 he was a representative of the Bulgarian National Bank on the Board of Directors of the Central Depository JSC. As legal adviser of the BNB, he played a key role in the formation of the BNB's secondary legislation. He has specializations in banking law in Austria, Italy, Germany, the United States, the United Kingdom, and Japan.

Dr. Dimitrov was elected a member of the 39th National Assembly, where he chaired the Economic Policy Committee and was a member of the Legal Affairs and Budget and Finance Committees.

He speaks English and Russian and is the author of books, studies, and articles in the field of banking, the stock exchange, and financial and administrative law. He is married and has two children.

For additional information, contact: Bulgarian National Audit Office, fax: ++359 (2) 981 07 40, 981 19 41, e-mail: nao-pres@otel.net, Web page: www.bulnao.government.bg.

Fiji

Auditor General Reappointed

In January 2005, the Constitutional Offices Commission, pursuant to the Fiji Constitution, reappointed Eroni Vatuloka for a second 5-year term as the Auditor General of the Republic of Fiji Islands. He is committed to enhancing the efficiency of the audit office through superior quality audits, professionalism, and staff development.

Mr. Vatuloka received a bachelor of arts in 1984 from the University of the South Pacific and a master of commerce from the Australian National University in 1996. He gained provisional membership to the Fiji Institute of Accountants in 1988 and was registered as a charted accountant in 1989.

Eroni Vatuloka

In 28 years in the civil service, Mr. Vatuloka has held positions in various government ministries and departments, rising from assistant accountant in 1987 to deputy auditor general in 1997.

He is a member of the INTOSAI Task Force on International Money Laundering and Public Debt Committee. He also chairs the Regional Institutional Strengthening Committee of the South Pacific Association of Supreme Audit Institutions (SPASAI) and the Advisory Committee of the Department of Accounting and Financial Management of the University of the South Pacific. Mr. Vatuloka serves on a number of national committees and boards. He is the Chairman of the Fiji Institute of Accountants Investigations Committee, a member of the Board of Governors of the Institute of Internal Auditors, and Chairman of the Tax Agents Registration Board.

For additional information, contact: Office of the Auditor General, fax: ++(679) 330 4434; e-mail: pnavuku@connect.com.fj; Web site: www.oag.gov.fj.

Malaysia

Twinning Program between National Audit Department of Malaysia and Nepal Audit Office

From November 25-December 17, 2004, the National Audit Department (NAD) of Malaysia and the Nepal Audit Office held a twinning program at the Auditor General's Office in Malaysia. This program was part of an arrangement between the two audit offices under the Public Audit Reform

Participants in the twinning program between the SAIs of Malaysia and Nepal.

and Capacity Building Project of the Office of the Auditor General of Nepal. The program's objective was to train officers of the Nepal Audit Office in the NAD's revenue and public works audits. Thirteen officers from the Nepal Audit Office participated in the program. The topics included Malaysia's federal government accounting system and federal revenue collection, revenue audits of the Inland Revenue and Road Transport Departments, and public works auditing. The participants also visited the Klang River Basin Environmental Improvement and Flood Mitigation Project of the Drainage and Irrigation Department.

Establishment of New Malaysian Audit Institutions

In 2003, the National Audit Department of Malaysia began establishing the Auditors Board of Malaysia and the Auditors Institute of Malaysia. The Cabinet approved a memorandum spelling out the objectives of the board and institute on October 27, 2004. The NAD solicited feedback from Malaysian professional bodies on a draft of the bill setting up these two bodies and their organization. The Parliament is expected to pass the bill before the end of 2005.

National Audit Department Senior Officers Conference 2005

The NAD Senior Officers Conference 2005 was held February 17-18, 2005. Its theme was "Audit Contribution

Towards National Aspiration," and it was attended by 96 senior NAD officers. Conference participants discussed the 2005 NAD audit plan; in addition, they received updates on developments affecting the audit profession and the current national development policy.

During the conference, the Auditor-General of Malaysia launched the NAD flag and Web site and released NAD guidelines on environmental audit, local authorities, land office management, and federal statutory bodies. Two guest speakers also delivered talks on biotechnology in Malaysia and investment in Islamic financial instruments by companies linked to the government.

For additional information, contact: National Audit Department of Malaysia, fax: +6 03 8888 9701; e-mail: jbaudit@audit.gov.my; Web site: http://www.audit.gov.my (Malay), http://www.audit.gov.my/audit/Eng/frame_eng.htm (English).

Nicaragua

New President and Vice President of Superior Council Named

On February 15, 2005, the National Assembly elected the new members of the Superior Council of the General Audit Office of the Republic of Nicaragua. The members will serve for 5 years. On February 16, 2005, the Superior Council unanimously elected

Dr. José Pasos Marciacq to be its new President and Dr. Guillermo Argüello Poessy to be Vice President. Both will serve 1-year terms. The other members of the council are Luís Ángel Montenegro, Fulvio Enrique Palma Mora, and Lino Hernández Trigueros. Alternate members are Vicente Chávez Fajardo, Christian Pichardo Ramírez, and Francisco Guerra Cardenal.

For additional information, contact: General Audit Office, fax: +(505) 265-2075; email: dri@cgr.gob.ni; Web site: www.cgr.gob.ni.

United States

International Peer Review Team Gives GAO's Quality Assurance System a Clean Opinion

In April 2005, an international peer review team gave the U.S. Government Accountability Office (GAO) quality assurance system a clean opinion. GAO's quality assurance system encompasses its organizational structure and the policies and procedures established to provide it with reasonable assurance of complying with *Government Auditing Standards* in conducting its performance audit practice.

The year-long peer review, under the auspices of the Global Working Group of national audit institutions, was led by the Office of the Auditor General of Canada, with team members drawn from counterpart SAIs in Australia, Mexico, the Netherlands, Norway, South Africa, and Sweden. In 2004, Canada's Office of the Auditor General was the first national audit institution to undergo a peer review by a multinational team; Canada's review involved a similar international team led by the National Audit Office of the United Kingdom.

The peer review team interviewed GAO staff ranging from Comptroller General David M. Walker to recently hired professionals to gauge their knowledge and application of GAO's quality assurance procedures. They also attended senior executive meetings and

met with experts and specialists to understand their role in GAO's quality framework. Selected team members also observed GAO's agencywide annual internal inspection program—which is designed to provide the Comptroller General with an assessment of compliance with government auditing standards and GAO policies.

The peer review team found that although GAO does the vast majority of its work at the request of congressional committees, it has sufficient mechanisms in place to ensure that its work is independent and objective. The team also found several global better practices at GAO that exceed requirements of government auditing standards, including its strategic planning process, which ensures that GAO focuses on the most significant issues facing the country, serious management challenges, and programs most at risk. The team also identified the following noteworthy practices:

• GAO's audit risk assessment process, which determines the level of product review and executive involvement throughout the audit engagement;

• GAO's agency protocols, which provide clearly defined and transparent policies and practices on how GAO will interact with audited agencies;

• GAO's use of experts and specialists to provide multidisciplinary audit teams with advice and assistance on methodological and technical issues—expanding GAO's capacity to apply innovative approaches to analyze complex situations;

• GAO's electronic audit assistance tool, which guides GAO staff through the engagement management process and helps them apply applicable professional standards, GAO policies, and guidance; and

• GAO's reporting format, which makes its products useful and accessible to readers with different interests.

Recognizing that GAO's work meets all applicable professional standards, the team made suggestions to GAO to further enhance its products, including additional disclosure of sources of critical information and the impact of scope and methodological choices. The team also suggested that GAO reexamine its total set of requirements to identify potential opportunities for efficiency through greater use of risk-based principles in its quality framework. Comptroller General Walker said GAO is forming an internal team to review the recommendations.

The peer review report is available on the GAO Web site, www.gao.gov. For additional information, contact: GAO, fax: ++(202) 512-4021; e-mail: spel@gao.gov.

International Conference on Promoting Financial Accountability in Managing Funds Related to Tsunami, Conflict, and Other Disasters

By Dwita Pradana, Audit Board of Indonesia

From April 25-27, 2005, the Audit Board of Indonesia (BPK) and the Asian Development Bank (ADB) convened an international conference on enhancing financial accountability and transparency in managing funds related to the tsunami, conflicts, and other disasters. The conference was held at the Bank of Indonesia in Jakarta and included a 1-day visit to areas affected by the tsunami in Banda Aceh to witness firsthand the magnitude of loss and damage.

The conference provided a unique opportunity for countries affected by the tsunami, donor countries and agencies, as well as international organizations to meet, share, and learn from one another. The approximately 140 delegates represented the leadership of INTOSAI; SAIs of donor nations (Austria, Australia, Canada, China, France, Germany, Japan, Korea, the Netherlands, Norway, Qatar, Saudi Arabia, Sweden, the United Kingdom, and the United States); SAIs of other countries affected by the tsunami (Bangladesh, India, Malaysia, the Maldives, Sri Lanka, and Thailand); development assistance entities; the World Bank; the United Nations; the Red Cross; the implementing agencies of Indonesia; and others.

The conference began with an address from the President of Indonesia, His Excellency Susilo Bambang Yudhoyono. He welcomed the delegates, stating, "The Indonesian government has a special interest in the theme of the conference, and it is seriously determined to approach the management of disaster relief, reconstruction, and rehabilitation funds in a responsible manner." He reiterated a zero tolerance for corruption as part of the national anticorruption movement he declared in December 2004.

Heads of delegations gather with His Excellency Susilo Bambang Yudhoyono, President of Indonesia, at the opening of the conference.

Clearly, the immediate challenge for implementing agencies, donors, and nongovernmental organizations was to quickly deliver relief aid to intended recipients and to reconstruct quality roads, bridges, and other elements of the life-sustaining infrastructure. The longer term challenge is to build the capacity of governments to provide the appropriate incentives for good governance and to deliver assistance consistent with the key principles of transparency and accountability. The role of the global accountability community, including supreme audit institutions (SAI), is to ensure financial accountability so that relief and reconstruction funds are spent effectively and efficiently and donor confidence is maintained.

Objectives of the Conference

The BPK and the ADB established a simple objective for conferees: develop an organizing framework and specific strategies for promoting financial accountability of funds related to the tsunami, conflicts, and other disasters.

During the conference, five workshops were convened with specific mandates to do the following:

- identify best practices in oversight of relief efforts,

- develop strategies to maximize the success and minimize the possibility of abuse in connection with tsunami-related rehabilitation and reconstruction funding and related activity,

- identify methods to coordinate donor nation audit efforts and outputs, and

- create capacity to ensure the installation of legal and regulatory systems and internal controls for procurements in light of multiple donor guidelines and the potential for conflicting roles and duplicative effort.

As the United Nations seeks to convert the more than US$3 billion in pledges from words into cash, and from cash into action, new alliances will be essential to achieving lasting and positive results and to better leverage the very generous and significant, but not unlimited, donations. The INTOSAI community provides a vast and as yet untapped global network of expertise for strategic oversight of the multinational response to a disaster of such devastating regional magnitude. SAIs' missions and authorities to audit and evaluate government functions are grounded in legal and regulatory oversight structures of national governments. There have been significant returns on investment for nations where SAIs have engaged in the oversight of relief and reconstruction efforts after national disasters.

Recommendations from the Conference

The Jakarta conferees agreed that the tsunami presented an opportunity for the INTOSAI community to leverage its collective experience and expertise to maximize the value of oversight as a means of reducing the risk of fraud, waste, and abuse of donor dollars. As a result of deliberations by the conferees, significant recommendations were developed. These included the following:

- **Strengthen internal controls and governance**
  An assessment of current risks and vulnerabilities of the financial management systems of recipient national governments should be completed, and assurance should be provided that internal control systems are in place to ensure that relief and reconstruction funds are properly segregated from normal budget accounts and disbursed efficiently, effectively,

and economically for the purposes intended. In addition, ongoing risk assessments should be carried out to monitor and test various activities.

- **Increase transparency**
  An online system should be developed for tracking, reporting, and monitoring assistance fund balances as well as the status or progress of programs. The information contained in this system, including multidonor trust funds, should be made available for public scrutiny to further enhance accountability and transparency. A "geographic approach" should be explored to facilitate the plotting of all tsunami aid efforts by using geographic coordinates, maps, and satellite images among all parties concerned and to help eliminate overlap or duplication of efforts and gaps.

- **Assure accountability**
  The SAIs of donor and recipient countries should join forces to ensure that the tsunami funds are properly safeguarded and used. In addition, a strategy should be developed to coordinate audits among auditors of donor countries and local governments to enhance audit efficiency, facilitate technology transfer, and help build institutional audit capacity.

- **Enhance and sustain capacity**
  An independent coordinating or advisory body (consisting, for example, of representatives of SAIs of donor countries and the broader INTOSAI membership) should be established to assist the Audit Board of Indonesia. Through this body, matters such as coordinated audits could be mapped out to ensure adequate audit coverage, eliminate duplication of audit efforts, maximize audit efficiency, and minimize audit costs and the burden on recipient governments.

- **Enhance public reporting**
  A Web site should be created to inform the public and provide an overview of the status of tsunami fund utilization and other relevant information. The related audit reports should provide the total picture at the country level, while the Web site of INTOSAI should report the total picture at the global level.

Supreme audit institutions from both donor and recipient countries have an important role to play in ensuring that tsunami funds are spent as intended for relief and sustainable reconstruction. Donors have high expectations. The continued willingness of people around the world to open their hearts and their wallets depends on what happens to the money they have already given for tsunami relief and reconstruction. The economical, efficient, and effective distribution of tsunami aid money is the best way to affirm the world's trust. Through partnership, the common objective of transparency and accountability in the use of assistance funds can be achieved.

In his closing address at the conference, Dr. Anwar Nasution, the Chairman of the BPK, stated, "During the last few days, we have listened to and benefited from so many eminent speakers who generously shared with us their wealth of knowledge and experience in the plenary and the working group discussion sessions. . . . Through this conference, we have established a connection among so many proficient auditors and audit institutions, which will pave the way for further collaboration in our efforts to promote financial accountability and transparency."

For further information, visit the conference Web site, which includes the proceedings, at http://webaceh.bpk.go.id, or contact: Audit Board of Indonesia, fax: ++62 (21) 572-0944; e-mail: sekretariat1@bpk.go.id; Web site: www.bpk.go.id.

Quality Assurance of Third-party Information

By Erik Israël and Ferrie Pot, Netherlands Court of Audit

Since the 1990s, the demand for information on the societal effects of government policy has increased. Politicians and the public no longer take for granted that the government needs to be accountable only in terms of money and associated business processes. As a result, in recent years government bodies have increasingly tried to provide politicians and the public with information on the societal outcomes of government policy. Much of the policy information used for these purposes comes from outside sources, referred to as "third-party information." It is very important that this information be of good quality.

The need to ensure the reliability of third-party information has been neglected in every area of government, including rules and regulations as well as practice. This article discusses why it is so important to ensure the quality of policy information, with an emphasis on third-party information. It also sets forth an approach designed to ensure the reliability of this information by classifying it according to risk. This theoretical framework is illustrated with examples from the Dutch experience. Finally, the article relates the risk-based classification to measures to ensure reliability.

The Importance of Third-party Information and Quality Assurance

Good policy information is essential to gain a clear understanding of whether each ministry has achieved its policy goals, what it has done to achieve these goals, and what this has cost. However, it is not only public accountability that stands or falls with the quality of the information used: good quality information is also needed to establish internal measures and adjust policies appropriately in a timely manner.

Much policy information takes the form of third-party information. In a recent Dutch survey, about three-quarters of the policy information studied came from outside sources.[1] The proportion is likely to be substantial in other countries as well. Given the amount of third-party information used by the average government body and the importance of this information, ensuring data reliability is an important link in the whole quality assurance chain related to the policy process. Ensuring the quality of third-party information scarcely figures, however, in the statutory frameworks of many central and local governments. For example, the Dutch central government has a ministerial Order on Performance Data and Evaluations in Central Government, which provides the framework for ensuring the quality of nonfinancial policy information. Remarkably, the order does not explicitly mention third-party information; indeed, it omits the concept completely!

Also, the attention paid to quality assurance of third-party information in practice is far from adequate. A recent survey by the Netherlands Court of Audit, for instance, revealed that no steps had been taken to ensure the quality of over a quarter of the third-party information under consideration.[2]

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[1] *Staat van de beleidsinformatie 2004* [Policy information report 2004]. Lower House, 2003-2004 session, 29550, Nos. 1-2.

[2] Lower House, 2003-2004 session, 29 550, Nos. 1-2, p. 35.

Categories of Third-party Information

Third-party information can come from a wide range of sources. Figure 1 shows just how wide-ranging these sources can be from the point of view of a Dutch ministry.

Figure 1: Sources of Third-party Information

Independent administrative bodies e.g., data to the Ministry of Social Affairs and Employment on services to job seekers supplied by the independent administrative body responsible for helping them to find work	**Central government (Ministry Y)** e.g., data supplied by the Inland Revenue (part of the Ministry of Finance) to the Ministry of Housing, Spatial Planning and the Environment for the administration of rent rebates	**Subsidized organizations** e.g., data on the number of organic farms supplied by SKAL (the body that supervises organic farming in the Netherlands) to the Ministry of Agriculture, Nature and Food Quality
Public research organizations e.g., data on innovation supplied by Statistics Netherlands to the Ministry of Economic Affairs		**Private actors** e.g., data on "safe nightlife" covenants supplied by the Dutch catering federation to the Ministry of the Interior and Kingdom Relations
Municipalities e.g., data on city policy supplied to the Ministry of the Interior and Kingdom Relations	**Central government (Ministry X)**	**Public-sector limited companies** e.g., data on punctuality supplied by Netherlands Railways to the Ministry of Transport, Public Works and Water Management
Provinces e.g., information on urban renewal supplied to the Ministry of Housing, Spatial Planning and the Environment		
Commercial/semi-commercial research agencies e.g., data on the added value of regional cooperation between the Drecht towns supplied by the Berenschot commercial agency to the Ministry of the Interior and Kingdom Relations	**Supranational bodies** e.g., data on poverty alleviation supplied by the United Nations to the Ministry of Foreign Affairs	**Universities** e.g., data on the housing market supplied to the Ministry of Housing, Spatial Planning and the Environment by Utrecht University

Source: Netherlands Court of Audit.

Government bodies using information from third-party sources for budgeting, accounting, and/or policy purposes should ensure that it is reliable, irrespective of its origin. Given the amount of information and the multiplicity of sources involved, this is no easy task. The multiplicity of sources can, however, be structured by classifying them according to the reliability risk associated with the third-party information. Based on this risk criterion, we have identified four categories of sources:

- organizations with a statutory duty to provide information,

- organizations required to be accountable to the user of the information,

- other organizations with an interest in the content of the information, and

- other organizations without an interest in the content of the information.

Organizations with a Statutory Duty to Provide Information

The first category is information from sources that have a statutory duty to collect, process, and present information. Many countries have these types of organizations—for example, a central bureau of statistics. The risk associated with the quality of third-party information from sources in fulfillment of their statutory duty can be estimated as low, based on the presumption that the law already contains provisions to ensure the quality of the information.[3]

Accountable Organizations

The second category is information from sources that are required to account for the government money they have spent along with the information supplied. These include administering bodies, local governments (social security benefits), and organizations that receive government subsidies. We gauge the risk associated with information from this category as high, as these organizations have an interest in the information supplied.

Quality Risk Adequately Covered: The Case of Fishing and Mineral Consumption

The Ministry of Agriculture, Nature and Food Quality is sent data on the quantity of fish caught by fishing companies and on net amounts of minerals used in the farming industry. These data, which we classify as high risk, come from sources that are accountable to the ministry. The ministry is aware of this risk and tries to ensure quality by carrying out its own measurements of such things as quantities of shellfish in coastal waters. It also enters into annual working agreements with the General Inspectorate on the inspection of catches reported by fishermen at ports. The reports on amounts of minerals used in the farming industry are checked against administrative data.

Other Interested Sources

The remaining information suppliers can be divided into those with and without an interest in the content of the information. Organizations can have substantive or financial interests. The interest may be substantive if the information affects the public's perception of the organization (e.g., passenger numbers in the case of a national airport). Or the interest may be financial in cases such as a commercial research agency, where there may be a link between the information supplied and possible future contracts. We gauge the risk associated with information from this category as medium-high.

Quality Risk Not Adequately Covered: The Case of Domestic Refuse

In order to monitor the effects of its waste policy, the Ministry of Housing, Planning and the Environment is sent statistics on collections of domestic wastes by the Waste Management Council. Some of the basic data on domestic refuse are supplied directly by waste processing companies or industry associations without being validated by independent outsiders. This information comes from interested information suppliers, with which we associate a medium-high risk. Additional measures would seem to be needed to ensure the quality of these data. The ministry has not taken any special steps to ensure that these risks are covered, e.g., by having the data validated by independent outsiders.

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[3]These information sources also engage in activities outside their statutory duty, performed under contract. These activities have the same risk profile as the "other interested sources" category.

Other Sources without an Interest

The fourth category is information from sources that have collected the information on their own initiative and have no interest in how the government uses it. Examples from this category are some scientific university publications and monitoring information from supranational government bodies. It is not possible to give a blanket assessment of the risks associated with information from this category, as the quality of the information can differ from one supplier to another and one product to another. The risks will need to be assessed individually for each information flow. We gauge the risk associated with information from this category as medium-low.

Measures to Ensure Reliability

Under ideal conditions, if a government uses certain third-party information, it would know how reliable that information is. In many cases, however, the government does not have adequate power over the information source to guarantee reliability by intervening in the source's production of the information. Nor is it desirable, for reasons of cost, for the government to check the reliability of all third-party information. In many cases, the government would not be in a position to ascertain reliability, as doing so would require access to the supplier's research files at the very least; here again, the government has no power over the organization collecting the information.
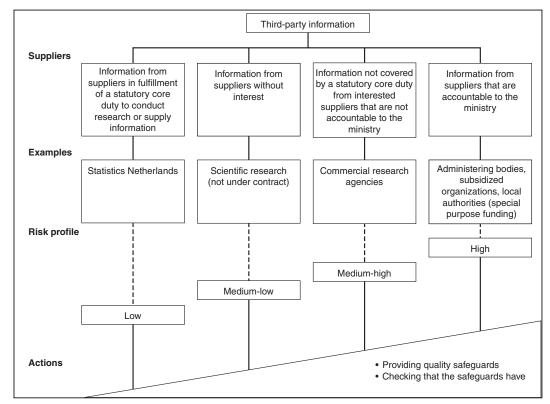
We nevertheless believe that government bodies can do something to ensure the quality of third-party information. In some cases, they can check the information by carrying out research of their own—for example, trend analyses, probability tests based on comparisons with other research, and data verification based on comparisons with public sources. If the government body is the principal, it has a broader arsenal of measures it can take. Examples include the following:

- requiring the organization carrying out the research to meet certain standards of professionalism;

- setting up a steering committee or a group to act as a sounding board;

- agreeing on the definitions of reliability, validity, and topicality to be used by the organization carrying out the research;

- requiring that an auditor's report be provided with the information supplied;

- establishing administrative requirements for the information supplier to meet (e.g., the existence of administrative organization/quality manuals);

- testing the contractor's research methods; and

- including in the contract a clause to the effect that an external audit of the research files may be conducted.

According to administrative organization theory, the way measures are used must be balanced with the perceived risk to reliability. This correlates with the classification of third-party information in the preceding section. If the information comes from an organization that has collected it in fulfillment of a statutory duty, there would seem to be no need for the government body to take further substantial measures to guarantee its reliability.

However, a government body can be expected to take (1) substantial measures when it uses information from organizations that are accountable to it and (2) some additional measures to guarantee the reliability of information from other interested organizations.

Figure 2 shows the relationship between the classification of third-party information and the use of measures to guarantee reliability.

Figure 2: Classification and Risk Profile of Third-party Information and Related Measures Needed to Guarantee Reliability

Source: Netherlands Court of Audit.

Conclusion

Society is increasingly demanding that government be transparent about the effects of its policies, and this is a trend that cannot be reversed. To meet this demand, governments need to provide the right policy information and ensure its quality. Since much of this information–referred to here as third-party information–comes from outside organizations, the government is often not in a position to check its quality because it has no powers over the sources of the information and because of the high costs of auditing. However, government bodies could do more than they do at present. We believe that a risk-based approach is a useful aid to deciding on appropriate measures to take. This approach is based on classifying information sources according to their risk level. Appropriate measures can then be taken based on the risk level. Using this approach, adequate certainty that the third-party information is reliable can be obtained at a relatively low cost.

For additional information, contact the authors at: f.israel@rekenkamer.nl and f.pot@rekenkamer.nl.

19th Commonwealth Auditors General Conference

By Alberta E. Ellison, Assistant Editor, *International Journal of Government Auditing*, and Hayden Everett, Office of the Controller and Auditor-General, New Zealand

From January 30-February 2, 2005, auditors general from Commonwealth countries met in Wellington, New Zealand, for their 19th conference. The delegates represented Australia, Bahamas, Bangladesh, Botswana, Brunei Darussalam, Canada, Cayman Islands, Cook Islands, Cyprus, Fiji, Gambia, Ghana, India, Kenya, Kiribati, Lesotho, Malawi, Malaysia, Maldives, Mauritius, Montserrat, Mozambique, Namibia, New Zealand, Nigeria, Pakistan, Papua New Guinea, Samoa, Seychelles, Sierra Leone, Solomon Islands, South Africa, Sri Lanka, Tanzania, Tonga, Uganda, United Kingdom, Vanuatu, and Zambia. Other conference participants included observers from the INTOSAI Secretariat (Austria) and this *Journal*.

Opening Ceremony

Delegates received a traditional Maori welcome (called a *powhiri*) to the Parliament buildings (the conference venue). The *powhiri* began with a *wero* (challenge) and included a *karanga* (chant) of welcome and *waiata* (songs). The Right Honorable Jonathan Hunt, Speaker of the House of Representatives, then welcomed the delegates to Wellington and the Parliament.

Delegates to the Commonwealth Auditors General Conference gather on the steps of the New Zealand Parliament.

The Controller and Auditor-General of New Zealand, Mr. Kevin Brady, officially opened the conference on Monday morning. In his address, he stated that he "hoped that this conference can help us each individually, and within our offices, to feel better equipped to meet the challenges we face. While some of those challenges are common, we each have our own unique issues. Nevertheless, learning about some of those issues during this conference may assist others of us with slightly different issues or when your issue becomes our issue tomorrow."

Following the opening address, the Secretary-General of INTOSAI, Dr. Josef Moser, delivered a keynote statement in which he informed delegates of the implications of the recently adopted INTOSAI strategic plan for supreme audit institutions (SAI).

A message from the Commonwealth Secretary-General, the Right Honorable Donald McKinnon, was then read to the delegates. Mr. McKinnon's message noted that the Commonwealth Auditors-General Conference was taking place 1 year after Commonwealth leaders met in Abuja, Nigeria, and committed themselves to strengthening core democratic institutions, including the Office of Auditor-General.

The Deputy Controller and Auditor-General of New Zealand, Mr. Kevin Simpkins, then delivered an address introducing the theme of the conference—raising public sector auditing to the next level.

Discussion of Conference Subthemes

Discussions at the conference focused on three subthemes that addressed major areas of government audit and identified strategies and techniques to improve the efficiency and effectiveness of SAIs and deliver better service to the public.

Subtheme I: Delivering a Better Service

This subtheme focused on the expectations of parliamentarians, the public, and other entities. The Right Honorable Helen Clark, Prime Minister, and Gerry Brownlee, Deputy Leader of the Opposition, gave presentations on what governments and oppositions expect of auditors general in 2005. The presentations were intended to enable the participants to consider the nature of others' expectations and how audit offices should respond so that they can provide an even better service to the public, parliaments, and other stakeholders.

A panel continued with a discussion on auditors general's perspectives on changing parliamentary expectations. Sir John Bourn (Comptroller and Auditor General of the United Kingdom and Wales), Muhammad Yunis Khan (Auditor General of Pakistan), and Richard Smith (Assistant Auditor General of Canada) spoke from the perspectives of their respective countries and audit offices.

The Right Honorable Sir Geoffrey Palmer, former Prime Minister, and Garry Wilson, Chief Executive of the Accident Compensation Corporation, concluded the discussion of subtheme I with presentations on what the public and audited agencies expect of auditors general.

Subtheme II: Enhancing Our Skills

Roy Tiffin, President of the Institute of Chartered Accountants of New Zealand, led the presentation on sub-theme II with a talk on challenges facing auditors general in 2005. He concentrated on the business of auditing and explored challenges in auditing the public sector. Discussions explored new developments and challenges, including the SAI's role in relation to sustainability reporting, new developments and issues in performance auditing, and the impact of new auditing standards in the years ahead. Participants concluded that SAIs need to continually enhance their skills to be able to respond to expectations and their environment.

Subtheme II concluded with concurrent workshops on (1) the role of auditors in sustainability reporting (the SAI of Australia), (2) the impact of new auditing standards on public sector auditors (the SAI of South Africa), and (3) current trends, developments, and challenges in performance auditing (the SAI of Malaysia).

Subtheme III: Excelling at Managing Ourselves

Subtheme III was introduced with papers on measuring and reporting the performance of SAIs. These were presented by Prabhat Acharya, Principal Director (international relations) of India, and Richard Smith, Assistant Auditor-General of Canada.

The papers were followed by concurrent workshops on the same issue. In the workshops, papers were presented by Asif Ali, Comptroller and Auditor-General of Bangladesh; Rajan Jugurnath, Director of Audit of Mauritius; and Kaveni Takalevu, Deputy Auditor-General of Fiji, and Radhika Reddy, Audit Manager of Fiji.

Delegates gather to talk during a break from the working sessions.

Following the workshops, delegates reconvened to hear a presentation by Martin Sinclair, Assistant Auditor-General, National Audit Office, United Kingdom, on knowledge management. Following the presentation, the delegates discussed their experiences of knowledge management in their respective SAIs and ways to ensure that the benefits of knowledge management are realized.

Conclusions

The Deputy Controller and Auditor General of New Zealand closed the conference by summarizing key issues related to the three sub-themes and highlighting remarks from each of the speakers. He emphasized that participants had heard throughout the conference from many different customers and from other SAIs with their own personal perspectives on expectations and needs. He suggested that all SAIs need to remember why they exist (their purpose); protect who they are (their position); and regularly adapt and shape their services (their products and services) to be relevant to their clients. He concluded, our "success or failure will be determined by what we do when we go back to our audit offices."

Closing comments and words of thanks were delivered by the Controller and Auditor-General of New Zealand and the Comptroller and Auditor General of the United Kingdom and Wales.

For more information about the conference, contact: the Office of the Controller and Auditor General of New Zealand, Level 5, Hitachi Data Systems House, 48 Mulgrave Street, Thorndon, Wellington 1, New Zealand; tel: +64-4 917 1500, fax: +64-4 917 1549; e-mail: Info@oag.govt.nz; Web site: www.oag.govt.nz.

Audit Profile: Government Accountability Office of the United States

By the Honorable David M. Walker, Comptroller General of the United States

The U.S. Government Accountability Office (GAO) is an independent agency in the legislative branch of the U.S. government. Commonly known as the "investigative arm of Congress" or the "congressional watchdog," GAO's mission is to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. To that end, GAO examines how taxpayer dollars are spent and advises lawmakers and agency heads on ways to make the federal government work better. GAO provides its congressional clients with timely information that is professional, objective, fact based, nonpartisan, nonideological, fair, and balanced. GAO also makes recommendations to improve government programs and policies.

Agency History

In response to the mounting debt from World War I, the U.S. Congress passed the Budget and Accounting Act of 1921. This legislation imposed greater control over federal spending by requiring the President to issue an annual federal budget with the help of a new Bureau of the Budget (now the Office of Management and Budget). The legislation also established the General Accounting Office (GAO's original name) within the legislative branch to examine how federal dollars were being spent.

In its early years, GAO mainly did voucher auditing. Audit clerks scrutinized stacks of paperwork documenting payments and purchases at various federal agencies. After World War II, GAO began to do broader auditing work that examined the economy and the efficiency of government operations.

By the 1960s, GAO began to get into the type of work it is most known for today: program evaluation, which examines how well federal activities are meeting their objectives. In more recent years, GAO has become more involved in policy analyses and broader and longer range transformation challenges. For example, GAO has spoken out about America's growing fiscal imbalance, worked to modernize government financial and broader business management, and drawn attention to a range of "high-risk" programs, policies, functions, and activities in the federal government. The agency changed its name from the General Accounting Office to the Government Accountability Office in 2004 to better reflect its current role and mission.

Types of Work

GAO carries out a wide range of engagements, including financial and performance audits, program reviews, investigations, legal support, and policy analyses. This work provides oversight, insight, and foresight for the benefit of the Congress and the public on a wide range of current and emerging issues. The Comptroller General, who heads GAO, also sets government auditing and internal control standards.

Most GAO work is done at the request of congressional committees or is mandated by public laws and committee reports. Under the authority of the Comptroller General, GAO also undertakes its own reviews. GAO supports congressional oversight by

- reporting on how well government programs and policies are working;

- auditing agency operations to determine whether taxpayer dollars are being spent efficiently and effectively;

- investigating allegations of illegal and improper activities;

- issuing legal decisions and opinions on the use of federal funds and other matters and reports on major agency rules; and

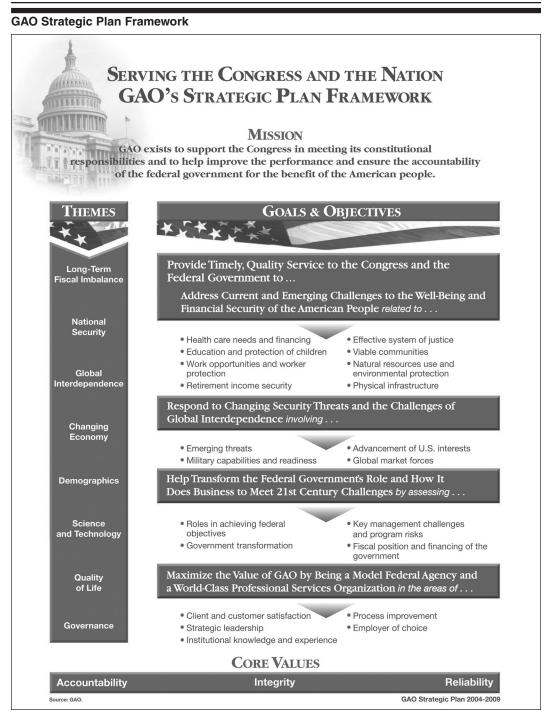- resolving bid protests of government contract awards.

In addition to reporting on day-to-day government operations, GAO seeks to alert policymakers and the public to various high-risk areas in government as well as current and emerging challenges facing the nation. For example, GAO continues to closely monitor developments affecting a wide range of areas, such as national defense, homeland security, Social Security, education, the environment, health care, human capital, the postal service, and the nation's private pension system. GAO also informs policymakers about long-term challenges facing the nation, such as the government's fiscal outlook, new security threats in a post-Cold War world, the aging of America and its impact on our health care and retirement systems, changing economic conditions, and the increasing demands on U.S. infrastructure, from highways to water systems.

GAO has adopted a set of core values to help define the agency's beliefs and guide its efforts. GAO's core values—accountability, integrity, and reliability—are intended to supplement the requirements of the law and applicable professional standards.

Audit Planning

GAO's strategic plan for serving the Congress defines the agency's mission, lays out key public policy-related trends and themes that GAO will focus on, and outlines the agency's goals and objectives. GAO issued its first strategic plan in 2000, and the agency has updated it every 2 years with each new Congress to reflect changing national needs and priorities. GAO's goals are to provide Congress and the American people with timely, quality, and reliable information on a range of federal policies, programs, and activities; to help government transform itself to meet the demands of the 21st century; and to become a model for the rest of the federal government and professional services organizations.

GAO's strategic plan guides all of the agency's key budgeting and spending decisions. Resources—people, dollars, and technologies—are deployed with an eye toward achieving the agency's goals and objectives. GAO's strategic plan framework, which lists current strategic goals, is shown in figure 1.

GAO Strategic Plan Framework

SERVING THE CONGRESS AND THE NATION
GAO'S STRATEGIC PLAN FRAMEWORK

MISSION
GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

THEMES

- Long-Term Fiscal Imbalance
- National Security
- Global Interdependence
- Changing Economy
- Demographics
- Science and Technology
- Quality of Life
- Governance

GOALS & OBJECTIVES

Provide Timely, Quality Service to the Congress and the Federal Government to …

Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People *related to . . .*

- Health care needs and financing
- Education and protection of children
- Work opportunities and worker protection
- Retirement income security
- Effective system of justice
- Viable communities
- Natural resources use and environmental protection
- Physical infrastructure

Respond to Changing Security Threats and the Challenges of Global Interdependence *involving . . .*

- Emerging threats
- Military capabilities and readiness
- Advancement of U.S. interests
- Global market forces

Help Transform the Federal Government's Role and How It Does Business to Meet 21st Century Challenges *by assessing . . .*

- Roles in achieving federal objectives
- Government transformation
- Key management challenges and program risks
- Fiscal position and financing of the government

Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization *in the areas of . . .*

- Client and customer satisfaction
- Strategic leadership
- Institutional knowledge and experience
- Process improvement
- Employer of choice

CORE VALUES
Accountability   Integrity   Reliability

Source: GAO.   GAO Strategic Plan 2004-2009

Accounting for results is essential. Since 2000, GAO has issued annual reports that inform policymakers and the public about GAO's accomplishments and how it plans to continue working on their behalf in the future. For example, in fiscal year 2004, GAO met or exceeded all but one of its key performance measures and set all-time records for most of them. In 2004, financial benefits from GAO work totaled a record $44 billion—a $95 return on every dollar invested in GAO. GAO also issued nearly 1,000 reports and testimonies and made more than 2,700 recommendations to improve government operations. The agency makes it a point to track the status of open recommendations. GAO found that more than four out of five of its recommendations have been implemented since 2000.

GAO's Workforce, Organization, and Independence

GAO is headed by the Comptroller General of the United States, who is appointed to a 15-year term by the U.S. President from candidates proposed by Congress. As the current Comptroller General, I took office in November1998, and my term expires in 2013. The long tenure of this office gives GAO a continuity in leadership that is rare within government and helps ensure its independence. It also enables the Comptroller General to take on more complex and controversial issues that may take years to effectively address.

GAO's independence is further safeguarded by laws guaranteeing it access to government records; a budget that is set by Congress, not by the President; and a workforce of nearly 3,300 employees who are career civil servants. GAO's staff represents such diverse disciplines as public policy, health care, economics, accounting, and information management; and a large majority have advanced degrees.

GAO's audit staff is organized into 13 teams that focus on specific subject areas, such as national defense, international affairs and trade, natural resources and the environment, health care, and homeland security. These teams are supported by various staff and administrative offices. GAO is headquartered in Washington, D.C., and has 11 additional offices across the country.

Human Capital Management

GAO considers its employees to be its most valuable asset. The agency has undertaken numerous human capital initiatives to help it better support Congress and the country. The 2004 GAO Human Capital Reform Act gave the agency new personnel flexibilities to help it recruit and retain a first-rate workforce. Among other things, GAO is moving to a more market-based and performance-oriented compensation system. GAO also recently completed its first formal strategic plan for human capital, which outlines its efforts to become a model professional services organization. (The strategic plan is available on GAO's Web site at www.gao.gov.)

GAO has made it a priority to hire individuals whose knowledge, skills, and abilities will help the agency better meet the needs of its congressional clients and who share GAO's values and goals. As part of its workforce planning efforts, GAO actively recruits at top colleges and universities and offers internships to outstanding students.

GAO also seeks to invest in its employees, and the agency makes it a point to reward performance. GAO's Center for Performance and Learning offers a competency-driven training curriculum with hundreds of on-line training classes, and the center recently introduced a leadership development program to assist new supervisors. The agency has also introduced a competency-based performance management system that clearly links employee performance and the achievement of the agency's mission and strategic objectives consistent with its core values. GAO seeks to lead by example, and it has pioneered the use of innovative practices, such as technology upgrades and teleworking to help its staff do its work more efficiently and effectively.

Future Challenges

GAO's most critical challenge is how best to meet the changing and increasing needs of Congress and the American people in the coming years in light of constrained budgets. For

example, because of the aging of the population and rising health care costs, the federal government faces a large and growing structural deficit. This will put increasing pressure on the budgets of a wide range of federal agencies, including GAO. Elected officials will need to make difficult choices about the role and mission of government and how it should be financed. GAO continues to speak out on these and other complex issues and stands ready to provide Congress with the best information available with which to make related choices.

To get results and meet the needs of its congressional clients, GAO recognizes the importance of maintaining a high quality and empowered workforce with the right mix of technical expertise and general analytical skills. Physical and information security will also be of increasing concern at GAO in the years ahead.

For additional information, contact: GAO, fax: +(202) 512-4021; e-mail: spel@gao.gov; Web site: www.gao.gov.

Reports in Print

In February 2005, the U.S. Government Accountability Office (GAO) issued a special report that draws attention to the growing fiscal imbalance in the United States and points out a need for a top-to-bottom reexamination of what government does. The report, *21st Century Challenges: Reexamining the Base of the Federal Government*, recognizes that Congress faces the daunting challenge of bringing the government and its programs in line with 21st century realities. This challenge includes deciding on the appropriate role and size of the federal government—and how to finance that government—and bringing the panoply of federal activities into line with today's world. Ultimately, this reexamination will entail a national discussion about what Americans want from their government, how much they are willing to pay for those things, and how the government should conduct its business for the 21st century.

In the report, GAO presents more than 200 illustrative 21st century questions drawn from its work for Congress in 12 broad areas. These questions reflect functional areas in the federal budget as well as governmentwide issues and the revenue side of the budget. The process of reexamining the base of government reverses the focus in incremental reviews, where disproportionate scrutiny is given to proposals for new programs or activities but little or no scrutiny is given to those that are already in the base.

The report concludes that the size of the fiscal challenge and the significance of societal and economic changes worldwide mean that this kind of examination and the hard choices necessary to restore a sustainable fiscal path and modernize government may take a generation to address. Beginning the reexamination and review process now would enable decision makers to be more strategic and selective in choosing areas for review over a period of years.

To download a copy of the report, visit GAO's Web site (www.gao.gov). For additional information, contact: GAO, fax: ++(202) 512-4021; e-mail: spel@gao.gov.

Journal readers may be interested in learning more about the use of computer assisted audit techniques (CAATs). As reported in the April 2005 (21) issue of *IntoIT* (the INTOSAI information technology journal), many SAIs are using various types of CAATs to help them carry out their auditing duties and responsibilities. CAATs can be any software or application used to identify trends, errors, or any other criteria set by the auditor. CAATs software can be developed in-house or purchased commercially.

CAATs assist the auditor by doing away with labor-intensive manual searches such as examining paper reports. In the case of financial audits, CAATs have been used to automate data reviews, fraud detection, and reviews of security controls over systems. For nonfinancial audits, CAATs can be any tool used to assess or appraise the audited entity, including spreadsheets to review financial or cost data, cost models, tools to conduct risk analysis, or even tools to assist in reviewing survey data.

IntoIT presents the findings from its study of 13 SAIs' experiences with CAATs for their performance and value-for-money audits. The findings include specific materials based on their experiences and case studies. The 13 SAIs highlighted in the study are Austria, Bhutan, Canada, China, India, Israel, Japan, Lithuania, Oman, Poland, Slovakia, Sweden, and the USA.

To obtain a copy of this report, contact: Editor, *IntoIT*, National Audit Office, 157-Buckingham Palace Road, London SWIW 95P, United Kingdom; Web site: www.intosaiitaudit.org.

The International Consortium on Government Financial Management (ICGFM) has issued the results of its 2005 worldwide survey entitled *Resisting Corruption in the Public Sector*. In the survey, which was conducted in collaboration with Grant Thornton's Public Sector group, government executives were interviewed on their opinions concerning public sector corruption in government operations. Specifically, the survey explored the executives' perception of the severity, causes, and consequences of public sector corruption and offered recommendations on ways in which government institutions could reduce and resist corruption in their activities. Effective anticorruption initiatives need to be multifaceted, addressing cultural, political, and social causes of corruption.

The results of the ICGFM survey recommended the following actions for governments to take to reduce corruption: (1) attack corruption by reducing opportunities for bribes, extortion, and graft, (2) curtail corruption in revenue collection through centralized collections and periodic staff rotations, (3) cure corruption-prone procurement by centralizing purchases, (4) protect people who report corruption, especially public servants, (5) reform civil service laws to reduce nepotism or the hiring of cronies, (6) institute independent anticorruption boards and commissions, (7) institute public education campaigns to resist corruption, and (8) strengthen internal controls and audit procedures to detect and prevent fraud and abuse.

For more information about the survey, or to obtain a copy of the results, contact: ICGFM, 444 North Capitol Street, NW, Suite 234, Washington, D.C. 20001; telephone: ++(202) 624-8461; Web site: www.icgfm.org.

INSIDE INTOSAI

Auditing Standards Committee: Development of Financial Audit Guidelines

Through the *Journal*, the INTOSAI Auditing Standards Committee (ASC) regularly updates the INTOSAI community on progress being made in the development of financial audit guidelines. The work is carried out in close cooperation with the International Federation of Accountants' (IFAC) International Auditing and Assurance Standards Board (IAASB) with the aim of including public sector considerations in the International Standards on Auditing (ISA).

Meetings of Financial Audit Guidelines Working Group in Lima, Peru

The ASC's Working Group on Financial Audit Guidelines met March 2-4, 2005, in Lima, Peru. The Peruvian audit office hosted the meeting, which was chaired by the Swedish National Audit Office. Representatives from the SAIs of Canada, Namibia, Norway, the United Kingdom, and the United States attended the meeting. The working group was pleased to welcome to the meeting one member of the IAASB technical staff and two IAASB public members.

The attendees to the meeting dealt with such issues as drafting (1) a practice note for ISA 240, Fraud and Corruption, and (2) working group comments on the IAASB exposure drafts of ISA 320, Audit Materiality, and ISA 540, Audit of Accounting Estimates. The working group also discussed the gaps identified between the INTOSAI auditing standards and IFAC's ISAs and actions needed to close those gaps to provide as complete financial audit guidelines as possible for INTOSAI members.

The working group set goals it plans to achieve by the 2007 INCOSAI in Mexico City. These goals include drafting practice notes for a number of existing (already revised) ISAs and general considerations for applying all ISAs in public sector audits.

The IAASB held a full board meeting in Lima following the working group meeting. This meeting was attended by several members of the Working Group on Financial Audit Guidelines and experts from the reference panel who participate in the task forces for the ISAs that were being discussed. These ISAs include the following:

- ISA 260 – Communications with Those Charged with Governance (approval of proposed exposure draft)

- ISA 800 – The Independent Auditor's Report on Other Historical Financial Information and Summarized Audited Historical Financial Information (approval of proposed exposure draft)

- ISA 701 – Modifications to the Opinion in the Independent Auditor's Report (approval of proposed exposure draft)

Renewal of the Reference Panel

The working group is very pleased to report on the renewal of the reference panel and would like to recognize the contributions of the SAIs who have volunteered the time and expertise of their very best audit experts. The reference panel now consists of 96 experts and back-office experts from 61 SAIs, who represent all INTOSAI regional groups, official INTOSAI language groups, and audit systems.

Work in Progress on ISAs

Work is in progress on the following ISAs where INTOSAI experts are involved:

ISA 230 – Documentation

- **Expert:** Ms. Kelly Ånerud, Norway
- **Back-office experts:** Mr. John Fretwell, United States; Mr. Inge Danielsson, Sweden
- Final version expected in September 2005 and Practice Note expected in June 2006

ISA 705 – Modifications to the Opinion in the Independent Auditor's Report, and ISA 706 – Emphasis of Matter Paragraphs and Other Matters Paragraphs in the Independent Auditor's Report

- **Expert:** Ms. Bettina Jacobsen, Denmark
- **Back-office experts:** Ms. Mary Radford, United Kingdom; Ms. Marcia Buchanan, United States
- Final version expected in March 2006 and Practice Note expected in December 2006

ISA 260 – Communications with Those Charged with Governance

- **Expert:** Ms. Tove Myklebust, Norway
- **Back-office experts:** Mr. Filip Cassel, Sweden; Mr. John Fretwell, United States
- Final version expected in March 2006 and Practice Note expected in December 2006

ISA 800 – The Independent Auditor's Report on Other Historical Financial Information, and a proposed ISA 810– The Independent Auditor's Report on Summarized Audited Historical Financial Information

- **Expert:** Mr. Jonas Hällström, Sweden
- **Back-office experts:** Mr. Demsash Betemariam, Ethiopia; Mr. Martin Dees, the Netherlands; and Mr. Robert Cox, New Zealand
- Final version expected in March 2006 and Practice Note expected in December 2006

ISA 550 – Related Parties

- **Expert:** Mr. John Thorpe, United Kingdom
- **Back-office experts:** Ms. Zainun Taib, Malaysia; Mr. Uwe Schreiner, Germany; and Ms. Goranka Kiralj, Slovenia
- Final version expected in June 2006 and Practice Note expected in February 2007

ISA 580 – Management Representation

- **Expert:** Ms. Vijaya Moorthy, India
- **Back-office experts:** Mr. Martin Garrido, Chile; Mr. Ennio Colasanti, Italy
- Final version expected in September 2006 and Practice Note expected in May 2007

ISA 620 – Using the Work of an Expert

- **Expert:** Ms. Cláudio Branco, Brazil

- **Back-office experts:** The project secretariat is in the process of nominating back-office experts

- Final version expected in December 2006 and Practice Note expected in September 2007

The working group is also charged with developing practice notes for each ISA to provide additional guidance that auditors in the public sector may need to apply to the ISA. The practice notes will be based on the contributions of the audit experts from the reference panel.

Work in Progress on Practice Notes

Practice notes will also be developed for ISAs already approved at the time of the creation of the reference panel and where no expert has participated in the IAASB task force. The project secretariat is now forming task forces with experts and back-office experts from the reference panel to develop practice notes for these ISAs.

ISA 240 – The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements: Mr. Leif Egil Berland, Norway

Exposure Draft of Practice Note 240 to the INTOSAI community for comments, expected in February 2005

ISA 500 – Audit Evidence: Mr. Henrik Söderhielm, Sweden

For more detailed and regularly updated information regarding this work or the standards, please visit the INTOSAI Auditing Standards Committee's Web site: www.rigsrevisionen.dk/asc or the IFAC website: www.ifac.org.

For further information, please contact the Project Secretarial or the Chair of the Working Group: projectsecretariat@riksrevisionen.se.

Task Force to Fight against International Money Laundering Meets in Peru

The task force was established in 2002 and is chaired by the SAI of Peru. Its purpose is to (1) promote international cooperation among SAIs and with other international organizations in the fight against money laundering, (2) identify and share policies and strategies within SAIs' competencies and authorities for combating money laundering, and (3) design and promote policies, strategies, and actions for SAIs within the national and international anti-money-laundering legal framework.

Members of the task force at the March 2005 meeting in Lima.

The SAI of Peru hosted the task force's fourth meeting in March 2005 in Lima. Task force members from Fiji, Lesotho, the Russian Federation, the United Kingdom, and the United States attended. At the meeting, the SAI of Peru demonstrated the Web site it created to track task force activities and post information about anti-money-laundering activities that task force members submit. The task force reaffirmed its three objectives and assigned responsibilities to task force members for carrying out tasks under each objective. The task force plans to submit a report to the Governing Board in advance of its meeting in the fall of 2005.

For additional information, contact the task force chair: Contraloría General de la República, fax: ++51 (1) 330 32 80; e-mail: contraloria@contraloria.gob.pe; Web site: www.contraloria.gob.pe/task_force/index.htm.

INTOSAI Task Force on the Audit of International Institutions Begins Its Work

The Task Force on the Audit of International Institutions, established at the 18ᵗʰ INCOSAI in Budapest, began its work by holding its first meeting in Copenhagen, Denmark, in April 2005. The task force's mandate is to

- coordinate and assist in identifying international institutions that should have SAIs as their external auditors and that need to develop auditing arrangements in line with best audit arrangements,

- cooperate with concerned SAIs in promoting to relevant international institutions and authorities the principles approved at the 18th INCOSAI with the aim of changing the audit arrangements, and

- promote SAIs as external auditors and assist interested SAIs in preparing for such assignments.

The work of the task force is to be carried out in cooperation with the INTOSAI regions and other stakeholders and may involve such activities as seminars for SAIs and direct contact with relevant international institutions. Because the mandate is based on persuasion rather than delegated power, the work of the task force is dependent on the goodwill of the institutions involved.

At its initial meeting in Copenhagen, task force members discussed draft terms of reference, including a set of strategic goals to be presented to the Governing Board at its regular meeting in Vienna in November 2005. The members agreed on approaching a number of international institutions to gather information on their audit arrangements. Each member of the task force will deal with one or two of the institutions and report on the needs and possibilities for change at that institution. After this fact-finding mission is completed, the task force will meet again in the autumn of 2005 to choose, based on the reports, a smaller number of pilot institutions that can be approached to initiate a debate on their audit arrangements. The task force expects to complete its work before the 19th INCOSAI in Mexico City in 2007 and report on its work at that time.

The National Audit Office of Denmark chairs the task force. Its members are the SAIs of Austria, Denmark, Hungary, India, Japan, South Korea, Nepal, Norway, Saudi Arabia, South Africa, Sweden, Tuvalu, the United Kingdom, and Venezuela.

The task force was established based on the work of an ad hoc working group created at the 17ᵗʰ INCOSAI in Seoul, where one of the themes was the audit of international institutions.

The working group, which was dissolved at the 18th INCOSAI, elaborated a set of principles for the audit of international institutions, which were adopted at the Congress. These principles are the following:

To be effective, the audit arrangements for international institutions should ensure that:

1. all international institutions financed with or supported by public money are subject to audit by supreme audit institutions to promote better governance, transparency, and accountability;

and that the external auditor:

2. is fully independent in the conduct of the audit;

3. has sufficient authority to carry out the audit in a manner that meets best practice in the audit of public money;

4. has adequate resources to carry out the audit;

5. has the right and obligation to report on the results of the audit to the member states concerned through the governing body(ies);

6. meets relevant professional and ethical standards; and

7. is appointed in an open, fair, and transparent manner.

Other SAIs who would like to join the task force are most welcome.

For additional information on the task force, contact the chairman: fax: ++45 33 14 38 28; e-mail: Rigsrevisionen@rigsrevisionen.dk.

Working Group on Environmental Auditing (WGEA)

From Head and Heart: Insights into Environmental Auditing at 18th INCOSAI

The scene was set. More than 150 people from 80 supreme audit institutions (SAI)—most of them auditors general—gathered in the conference hall at the 18th INCOSAI in Budapest in October 2004. The standing-room-only crowd was buzzing with friendly chatter and laughter. But as the proceedings began in earnest, the room fell silent and all eyes were fixed on the speakers.

"We have an obligation to cultivate and care for our planet—it must be our common duty. Our environmental failures and successes are not only ours—they affect people in other countries." (Mr. Miroslaw Sekula, President of the Supreme Chamber of Control of Poland)

"Our audits help to improve government's management of environmental issues and in the long run improve social prosperity and economic development in each and every one of our countries." (Dr. Genaro Matute Mejía, Comptroller General of the Republic of Peru)

Hold on a minute . . . were these hard-nosed auditors or radical environmentalists? Speaker after speaker emphasized the need to protect the quality of our natural environment and resources while pursuing the goal of sustainable development. The travel-weary, jet-lagged crowd might have thought that they were in the wrong room, perhaps having accidentally

stumbled into a Greenpeace revival. But no—this was the right place: The Heads of SAIs Forum: Experiences in Environmental Auditing, hosted by Canada's Auditor General, Sheila Fraser, and Commissioner of the Environment and Sustainable Development, Johanne Gélinas. Following months of preparation by the Working Group on Environmental Auditing (WGEA) Secretariat, participants were listening to five of their auditor general colleagues (Mr. Miroslaw Sekula, Dr. Genaro Matute Mejía, Mr. Liu Jiayi, Mr. Shauket A. Fakie, and Mr. Sarath Chandrasiri Mayadunne) share their insights on environmental auditing. One by one they described, in their own words, why environmental auditing is important to their institutions.

Auditors general address the INCOSAI forum on environmental auditing.

"Our country attaches great importance to the environment and sustainable development in its budget and its activities. Environmental auditing is one of the most important parts of my office's 5-year strategic plan." (Mr. Liu Jiayi, Deputy Auditor General of the National Audit Office of the People's Republic of China)

The purpose of the event, as John Reed from Canada explained, was to build awareness and confidence among the leaders of SAIs. "For many SAIs, environmental auditing is a mature and mainstream area of practice. Other SAIs are in the early stages of building their practice and others still want to get started but aren't sure how. We know from our experience with the WGEA that SAIs still have many questions and all have perspectives to share and something to learn."

As the event progressed, the conviction of each auditor general became evident. They were not reading scripted speeches; rather, they were speaking from the heart. One common theme that emerged was that while their institutions place a high priority on environmental matters, the reasoning is all about business. Environmental auditing is an integral part of their legislative, fiduciary, and moral auditing mandate and duty.

"It is all good and well for a country to have high ideals and policy directives, but without implementation this means nothing. The question now is whether political role players and local authorities have been called to account with regard to the deterioration of the environment. My role, as the Auditor General, includes informing the public not only about the government's financial stewardship but also its environmental performance." (Mr. Shauket A. Fakie, Auditor General of the Republic of South Africa)

In her opening remarks, Johanne Gélinas explained that the WGEA exists to help SAIs build capacity to do environmental audits. "All of the things we do—including our guidance documents, the Web site, the WGEA-IDI training program, and our major meetings—are meant to help SAIs."

Picking up on this theme, all of the speakers stressed the importance of sharing information and experiences among SAIs and the key role that the WGEA has played in supporting their efforts.

"We are still new to the area of environmental auditing. The WGEA gave us a big hand to stand up and get started. Sharing experiences is a very meaningful step and one way to do this is through on-the-job training with more experienced SAIs. We have learned that our audits are beneficial to the betterment of future generations." (Mr. Sarath Chandrasiri Mayadunne, Auditor General of Sri Lanka)

Judging by the crowd's reaction during the proceedings, the auditors general's messages were well received. For example, Pieter Zevenbergen from the Netherlands said afterwards, "It was a great pleasure to hear the worldwide unconditional support for environmental issues . . . . Environmental audit is [here] to stay."

After the formal portion of the event, participants shared their reactions and thoughts informally over light refreshments. The speakers had indeed stimulated some energetic exchanges—some as interesting as the talks themselves!

Sheila Fraser declared the event a great success. "Paying attention to the environment is one of my key priorities. Leading the WGEA gives us the chance to learn from, and also help, other SAIs. And we always need to keep the momentum going forward."

Fourth WGEA Steering Committee Meeting Held in Prague

The WGEA's Fourth Steering Committee meeting was held in Prague, April 4-7, 2005. It was hosted by Mr. Dušan Tešnar and the staff of the Supreme Audit Office of the Czech Republic. The Steering Committee, which includes 20 SAIs, is the working body of the WGEA.

The main purpose of this meeting was to implement the 2005-2007 work plan. The Steering Committee agreed on lead roles, timetables, information collection methods, and scope for each of the following projects:

- **Moving towards auditing biodiversity** (Lead SAIs—Brazil and Canada*)*
  This paper will provide auditors with a general orientation on how to plan and carry out audits on biodiversity.

- **Implementation of the WGEA communications plan** (Lead SAI—United States)
  The implementation of this plan will improve communications among WGEA members and between the WGEA and other key target audiences.

- **Evolution and trends of environmental auditing** (Lead SAI—Canada)
  This paper will describe the difference SAIs have made in managing natural resources and protecting the environment. It will provide insights on the current and future practice of environmental audits.

- **Cooperation between SAIs: tips and examples** (Lead SAIs—the Netherlands and Poland)
  This paper will share experiences on cooperation (primarily with environmental audits) between SAIs within the INTOSAI community—particularly in preparing, performing, and reporting audits.

- **Fifth survey on environmental auditing** (Lead SAI— Canada*)*
  This survey will analyze environmental auditing trends of INTOSAI members. It is an important tool for gathering data on SAIs' environmental auditing needs and will help to shape the next WGEA work plan (2008–2010).

- **Reviewing the implementation of World Summit on Sustainable Development (WSSD) commitments** (Lead SAI—United Kingdom*)*
  This paper will compare SAIs' reviews of their countries' progress to the WSSD commitments and share their experiences with other SAIs.

- **Waste and Water Alive** (Lead SAIs—Norway and the Netherlands)
  This project will identify appropriate ways to promote the ongoing exchange of experiences between SAIs on water and waste audits and actively encourage and support audits in the areas of water management and waste management.

Upcoming 10th Meeting of the WGEA in Moscow

Recently, Sheila Fraser, Auditor General of Canada and Chair of the WGEA, invited all SAIs to attend the 10th meeting of the WGEA, which will be held in Moscow, the Russian Federation, from October 27 to November 1, 2005. "This is the preeminent event for environmental audit practitioners in our community, and I would strongly encourage SAIs to attend and benefit— there won't be another one like it again until 2007."

The Steering Committee set the agenda for the meeting, which will include guest speakers from the United Nations Environment Programme (UNEP) and the United Nations Framework Convention on Climate Change Secretariat. The meeting will feature small working group discussions on topics of interest and seminar workshops with presentations by SAIs on the following topics:

- **Auditing biological diversity:** presentations on the protection of national parks, rivers and lakes, ecosystems, forestry, and endangered species.

- **Auditing climate change:** presentations on the Kyoto Protocol implementation, measures for adaptation, energy efficiency, international commitments, transportation, and greenhouse gases.

- **Increasing the impact of environmental audits**: presentations on techniques used in auditing, including the following:

    – making effective recommendations,
    – using experts,
    – formulating audit questions,
    – deciding the scope of issues, and
    – communicating results.

- **Environmental auditing: facing the challenges**: presentations on challenges encountered when undertaking a first environmental audit, creating a long-term strategy for the SAI, recruiting and training staff, and conducting environmental audits.

For more information, contact: WGEA Secretariat, fax: ++(613) 941-8286; e-mail: environmental.auditing@oag-bvg.gc.ca; Web site: www.environmental-auditing.org.

INTOSAI IDI DEVELOPMENT INITIATIVE

IDI Update

IDI Strategic Planning Focus Group

IDI's current strategic plan expires at the end of 2006, and preparations are under way to consult stakeholders on the development of a new strategic plan. IDI recently conducted separate meetings with its board members and its staff to try to develop a vision statement, a mission statement, and core values. The next important stage will be a 2-day focus group meeting in Norway at the end of June 2005. Twelve auditors general from around the world have accepted personal invitations to attend the focus group, which will aim to highlight the challenges facing SAIs and IDI in the future. The focus group's inputs will be used to develop a questionnaire that will be sent to SAIs in developing and emerging countries and will, in turn, lead to the development of goals and objectives for the IDI's strategic plan for 2007 onwards.

IDI and ASOSAI Agreement on Capacity Building in the Audit of Fraud and Corruption

IDI and ASOSAI recently entered into a new cooperative agreement for 2005-2006. An Audit of Fraud and Corruption program, fully sponsored by IDI, will begin with a design and development meeting in July 2005 in China, with six ASOSAI training specialists and subject matter experts participating. The expected outputs of this meeting are comprehensive courseware on the audit of fraud and corruption, including toolkits for auditors, and a follow-up plan to take the training beyond the classroom to the workplace. This will be followed by a 1-week workshop for ASOSAI auditors in Pakistan in December 2005.

OLACEFS E-learning Project Takes Shape

The first IDI-sponsored e-learning project will take place with the delivery of a performance auditing workshop later in 2005. The project is funded by IDI, with regional partners taking responsibility for key roles during the preparation and delivery phases. The seven OLACEFS training specialists who will act as online tutors met with the academic coordinator and subject matter expert (both from the SAI of Venezuela) and IDI project managers in Venezuela for 2 days in June 2005. The seven online tutors come from the SAIs of Argentina, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, and Panama. The meeting was used to strengthen team building and to plan the testing and delivery of the new e-learning course. Further information on this e-learning program will be provided in later IDI Updates.

A Second Pool of OLACEFS Training Specialists

As reported in the last IDI Update, a Course Design and Instructional Techniques Workshop (CDITW) took place in Ecuador in February and March 2005. Thirty participants completed the workshop and are expected to graduate as IDI training specialists later this year. Seven of these training specialists and a subject matter expert from Colombia took part in a redesign meeting in Costa Rica in June and July 2005. Course materials on the audit of public services were initially designed during the CDITW and will be redesigned for the delivery of a 2-week workshop later in 2005.

Liaison with the INTOSAI Public Debt Committee

IDI representatives attended the INTOSAI Public Debt Committee meeting held in Sofia, Bulgaria, June 2-3, 2005. The committee was informed about developments in OLACEFS, the ASOSAI Public Debt Workshop, and the forthcoming IDI-EUROSAI public debt program in Russia. The committee was also informed about the results of the IDI global survey in the area of public debt audit.

Contacting IDI

If you would like to discuss any of the issues in this edition of IDI Update, please contact: IDI, telephone: ++47 21 54 08 10; e-mail: idi@idi.no.

INTOSAI 2005 – 2006 Events

July

25-29 AFROSAI Congress, Cote d'Ivoire

25 Finance and Administrative Committee, Washington, D.C.

August

September

5 Working Group on Financial Audit Guidelines, Oslo, Norway

6 Working Group on Compliance Auditing, Oslo, Norway

7-8 Professional Standards Committee, Oslo, Norway

12-14 Working Group on Privatization, Brizilia, Brazil

October

27- Nov 1 Working Group on Environmental Auditing, Moscow, Russia

November

10-11 INTOSAI Governing Board Annual Meeting, Vienna, Austria

December

January 2006

February

March

April

May

23-26 Committee on IT Audit, Brazilia, Brazil

June

20 International Tsunani/ Disaster Relief Event, Vienna, Austria

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