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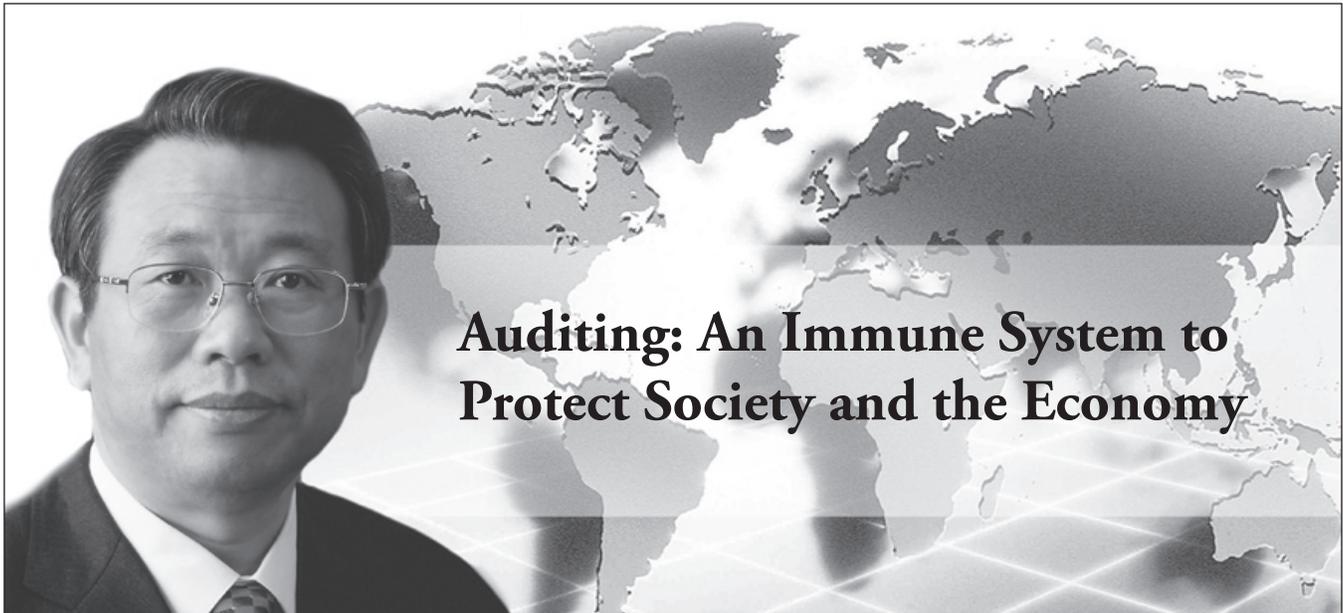
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contents

Editorial	1
News in Brief	3
Alleged Fraud Involving Millions of Euros: Why Didn't We Notice? ...	8
ASOSAI Assembly Report	14
CAROSAI Congress Report	18
Spotlight on the Strategic Plan ..	20
Inside INTOSAI	22
IDI Update	33
INTOSAI Calendar	37

<http://www.intosaijournal.org>



Liu Jiayi

Auditor General, National Audit Office of the People's Republic of China

Editorial

In China, audit is considered an indispensable part of the national political system. It is a product of, and a means of promoting, democracy and the rule of law. It is also an important tool for upholding the security of the national economy. It functions like an immune system for the economy and society. The body's immune system recognizes foreign and abnormal cells and destroys them. In the same way, audits reveal existing problems, proactively prevent others, and promote resistance throughout the entire system of government by ensuring that taxpayers' monies are managed and spent properly. On behalf of the general public and in accordance with the law, auditors (1) monitor the performance of various levels of government and their respective departments, along with other organizations that have access to taxpayer money, and (2) report audit results to the general public. During this process, auditors detect wrongdoing and make corrective recommendations, investigate and deal with serious violations, promote efforts to combat corruption, and safeguard the orderly operation of the economy. They also reveal institutional problems and systematic deficiencies, promote reasonable deployment and efficient utilization of public resources, ensure effective implementation of important government economic policies and measures, and safeguard national economic security.

The National Audit Office of the People's Republic of China (CNAO) has more than 20 years' experience and has also learned from and drawn on the experience of other countries. Based on tangible conditions in China, the CNAO has set up an audit system with Chinese characteristics.

- The fundamental goal of audit in China is to safeguard the vital interests of the general public. At this time, the intent and purpose of audit can be defined as promoting the rule of law, upholding the people's livelihood, promoting reform, and stimulating development. The primary and utmost task of auditing is

upholding national security, which is carried out by promoting national economic security, safeguarding national interests, giving impetus to democracy and the rule of law, and carrying sustainable development forward in a coordinated way. The basic guideline is “conducting audits on the basis of law, serving the overall public interest, giving priority to key issues of government and public concern, seeking truth, and being realistic and pragmatic.”

- A legal mandate for audit has been established based on the constitution, consisting of the Audit Law and its implementation and supported by audit standards.
- A framework for audit work has been set up, comprising audits of public finance, financial institutions, state-owned enterprises, accountability, the environment, and foreign issues.
- The CNAO has established a preliminary comprehensive audit pattern with Chinese characteristics. Based on financial audit, with a focus on performance and accountability, our audits integrate compliance and performance audits; focus on disclosing, investigating, and dealing with serious violations and evidence of economic crimes; identify institutional obstacles and systematic deficiencies; and propose relevant reforms and improvements.
- The CNAO has expended significant efforts to explore information technology auditing and shift from traditional to modern audit approaches. As a result, we have enhanced the quality, efficiency, internal controls, and management level of our audits.

In accordance with these guidelines, the CNAO has been actively addressing the international financial crisis since 2008 while at the same time responding to the government’s key task of ensuring stable and rapid economic growth, making every effort to track the flow of public funds. We have concentrated on real time audits covering the life cycle of projects such as (1) the relief, rehabilitation, and reconstruction in Wenchuan and Yushu, which were stuck by two serious earthquakes, (2) the Beijing Olympics, and (3) the implementation of policies and measures to address the financial crisis. These efforts have brought into play the “immune system” function of audit for ensuring the healthy operation of society and the economy. As China emerges from the financial crisis, it still faces the challenge of maintaining stable and rapid economic growth and speeding up the transition of economic development modes. In accordance with the provisions of law, Chinese audit institutions are focusing their attention on the government’s performance of this central task. The audit institutions are strengthening their audits to protect the livelihood of the people and sound economic growth with a view to effectively implementing the government’s proactive financial and monetary policies. By doing so, government audit in China will play a positive role in achieving China’s macro-policies for sustaining economic growth, ensuring its people’s well-being, and maintaining social stability.

NEWS

IN

brief



Australia

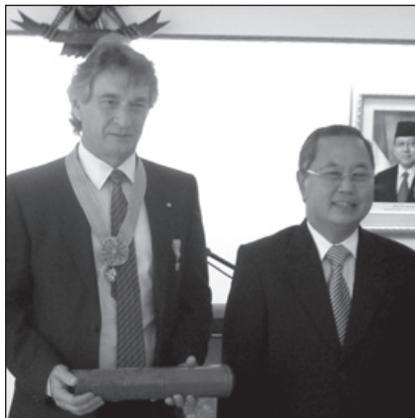
Award from the Government of Indonesia

In February 2010, His Excellency Primo Alui Joeliyanto, the Indonesian Ambassador to Australia, awarded the Indonesian First Class Medal of Honor to Ian McPhee, the Auditor-General of Australia. The award recognised the contributions of Mr. McPhee and the Australian National Audit Office (ANAO) in promoting the transparency and accountability of public finance for the government of Indonesia. In particular, the award cited contributions to the audit of natural-disaster management in Aceh and Nias and to best practices and capacity building in auditing.

The ANAO has been contributing to capacity building with the Indonesian Board of Audit (BPK) over the past 4 years. The ANAO's activities have been focused on both performance and financial auditing, included a series of long-term secondees from the BPK and the delivery of Jakarta-based training and pilot audit workshops.

In accepting the award, Mr, McPhee expressed appreciation for the honor the Indonesian government had bestowed on him and his office and

acknowledged the important work of colleagues within both the ANAO and the BPK who had made the relationship a success.



Presentation of First Class Medal of Honor to Ian McPhee, the Auditor-General of Australia (left), by His Excellency Primo Alui Joeliyanto, the Indonesian Ambassador.

The ANAO's contribution to the BPK has been strongly supported by AusAID, the Australian government's overseas aid program, and the Department of Foreign Affairs and Trade.

For additional information, contact the ANAO:

E-mail: iag1@anao.gov.au
Web site: www.anao.gov.au

Azerbaijan

Book on SAIs and International Audit Organizations Published

The Chamber of Accounts of the Republic of Azerbaijan has published a book entitled *Supreme Audit Institutions and Their International Organizations* to inform the public about the roles and responsibilities of supreme audit institutions.

The book provides information on the



Azerbaijani book, *Supreme Audit Institutions and Their International Organizations*.

SAIs of United Nations member states, as well as insight into the objectives,

responsibilities and activities of INTOSAI and its regional working groups. The book also mentions other international organizations of which the Azerbaijani Chamber of Accounts is a member.

Currently, work is under way to draft an expanded version of the book in English and Azerbaijani with more detailed information on SAIs.

For additional information, contact the Chamber of Accounts:

E-mail: office@ach.gov.az
Web site: www.ach.gov.az

Brazil

Court of Audit Begins Preparations for the 2014 World Cup

In May 2010, the Brazilian Court of Audit (TCU) presented the audit model that will be used to oversee expenditures related to preparations for the 2014 World Cup. Representatives of the TCU signed a protocol with state and municipal courts of audit in regions that will host the games. The agreement defines each agency's role and provides for information-sharing to strengthen oversight of the government investments needed to prepare to host the championship.

TCU President Ubiratan Aguiar expressed satisfaction at the integrated planning of the audit courts' oversight and stressed the important educational aspect of this oversight. "We must invest in preventive measures to avoid the misappropriation of public funds. The success of the 2014 World Cup depends upon the commitment of the federal government and the Federal District, in addition to the states and municipalities that will host the games. Only with the implementation of proposed improvements to the World Cup host cities can the country

achieve the success that we all desire." Mr. Aguiar also emphasized that investments need to be made in both the construction or renovation of stadiums and improvements to urban infrastructure. He stated, "Regardless of who is responsible for carrying out the specific projects, the Brazilian people will pay the bill. It is unacceptable that society pay for something from which it will not benefit."

Valmir Campelo, the TCU minister reporting on the World Cup audits, presented the Web site that has been created to monitor preparations for this international event (www.fiscalizacopa2014.gov.br). Mr. Campelo noted that the time remaining before 2014 is short in view of the quantity and complexity of the tasks the implementing agencies need to undertake.

Other government leaders participating in the ceremony included the Minister of Planning, Budget and Management; the Minister of Sports; the Comptroller General; the Attorney General of the Republic; and congresspersons, governors, and mayors.

For additional information, contact the TCU:

E-mail: arint@tcu.gov.br
Web site: www.tcu.gov.br

China

CNAO Hosts the First Sino-Indian Young Auditors Forum

From May 11–17, 2010, the National Audit Office of the People's Republic of China (CNAO) hosted the first Sino-Indian Young Auditors Forum in Beijing. A total of 24 participants attended, 12 from China and 10 from India.

The forum is a mechanism for bilateral communication initiated by the heads of the Chinese and Indian SAIs to strengthen exchange and cooperation between the young auditors in their offices. On May 11, Liu Jiayi, Auditor General of the CNAO, met with the Indian delegation, which was headed by Madhavi Patchilla, the Senior Deputy Accountant General of the Office of the Comptroller and Auditor General of India. At that time, Mr. Liu observed that the youth are the future of the nation and that Chinese and Indian youth could strengthen exchanges and cooperation through this forum to promote the development of the auditing profession and deepen relationships between the two countries.

During the 2-day forum, the Chinese and Indian delegates presented country papers and actively discussed



Participants in the first Sino-Indian Young Auditors Forum in Beijing in May 2010.

two themes: how to become a qualified government auditor and the role of the SAI in promoting government accountability.

During the forum, the participants also planted trees together, which symbolized the lasting friendship between China and India. A bowling match was held, and the delegates visited the Great Wall, Forbidden City, and Olympic Park in Beijing and the World Expo in Shanghai.

Both sides agreed that the forum provides a platform to share auditing ideas and experiences and learn from each other. These activities effectively promote bilateral exchanges between the young auditors of the two SAIs, thus enhancing mutual understanding and friendship.

For additional information, please contact the CNAO:

E-mail: cnao@audit.gov.cn
Web site: www.cnao.gov.cn

Georgia

New Audit Law and Role for the Chamber of Control

In January 2009, the new law on the Chamber of Control of Georgia (CCG) was enacted. It defined a new role for the CCG as an auditor-consultant overseeing the use of state funds and state property with a material value. With the new law, the CCG changed its organizational structure and responsibilities. Levan Bezhashvili, the Chairman of the CCG since July 2008, is playing a leading role in modernizing the structure of the Georgian public audit sector and strengthening its organizational capacity by establishing a sustainable development system.

Mr. Bezhashvili was elected Chairman of the CCG by the unanimous decision of Parliament for a 5-year term. He has expressed his commitment to developing the CCG during its transitional period and improving control systems in the Georgian public sector.



Levan Bezhashvili

Mr. Bezhashvili has had broad experience in supreme legislative bodies. Before his appointment as CCG Chairman, he held a variety of governmental positions, including Governor (State Envoy of the President of Georgia) of Kakheti Region. From 2004 to 2008, he was a Member of Parliament, serving as the Chairman of the Legal Issues Committee. He also held the posts as the Deputy Minister of Justice and the head of the Legal Department of the Georgian Parliament.

For additional information, contact the CCG:

E-mail: iroffice@control.ge,
thecontrolge@control.ge
Web site: <http://www.control.ge>

Kuwait

Awareness Campaign Focuses on Audit Guidelines

From January to April 2010, the State Audit Bureau of Kuwait (SAB) organized an awareness campaign whose motto was "Precise Performance with Audit Guidelines." During the campaign, a number of activities were organized to highlight the role of professional guidelines issued by international, regional, and Arab audit organizations. Through educational symposiums and workshops, the campaign drew attention to the importance of using guidelines as a framework to guide the audit work and as tools to organize SAB procedures and help the SAB achieve its goals.

For additional information, contact the SAB:

E-mail: undersecretary@sabq8.org
Web site: www.sabq8.org

Lithuania

New Auditor General of the National Audit Office

In April 2010, the Lithuanian Parliament appointed Giedrė Švedienė to a 5-year term as Auditor General of the Republic of Lithuania on the recommendation of the President of the Republic.

Ms. Švedienė graduated from Vilnius University with an economist-analyst diploma. She continued her studies at the Central European University in Prague, where she obtained a master's degree in economics, and in Milan, where she obtained a master's degree in banking and finance.



Giedrė Švedienė

Ms. Švedienė has had an extensive career in the public sector. She worked at the Permanent Representation of Lithuania to the European Union in Brussels, the Ministry of Finance, and the Ministry of the Interior.

For additional information, please contact the National Audit Office of Lithuania:

E-mail: nao@vkontrolė.lt
Web site: www.vkontrolė.lt/en/

Poland

SAI Bids Farewell to Its Former President

On April 10, 2010, the plane carrying Lech Kaczyński, President of the Republic of Poland and former President of the NIK, crashed while trying to land at an airport near Smolensk, Russia. Mr. Kaczyński's wife and 94 other top officials, including members of Parliament and top military officials, were also killed in the crash.



Lech Kaczyński

Lech Kaczyński was the President of the Polish SAI (NIK) from 1992 through 1995. During his term of service, he significantly increased public trust in the NIK and enhanced its role as an efficient state audit body.

In 2000, Mr. Kaczyński was appointed Minister of Justice, and 2 years later he was elected Mayor of Warsaw. In December 2005, he assumed office as the President of the Republic of Poland.

For additional information, contact the NIK:

E-mail: wsm@nik.gov.pl
Web site: www.nik.gov.pl

Romania

Recent Developments at the Romanian Court of Accounts

The Romanian Court of Accounts (RCA) has new collegiate leadership modeled on a modern European Union (EU) approach. The new leadership's mandate started in November 2008. During 2009, many RCA activities were significantly improved and a comprehensive process to continuously update those activities was begun.

- A new Web site was created to present basic information on the RCA in both Romanian and English.
- A new strategic plan for 2010-2014 has been drafted, is being reviewed, and will be continuously updated. Its main strategic objectives include the following:
 - The impact of RCA's control and audit activity will be maximized.
 - RCA's reputation will be improved and the authority of and respect for the organization will increase in response to the high-quality results it achieves.
 - RCA's reports will be relevant, realistic, clear, credible, timely, and useful. They will be duly drafted and made available to stakeholders. The Parliament will be able to make legislative decisions based on their conclusions and recommendations.
 - Available resources will be used with greater efficiency.
 - Intra- and inter-institutional communication will be improved, creating a positive impression of the RCA's image and credibility.
 - The professionalism of specialized RCA staff will have a decisive effect on the quality of RCA's activities.
 - In its capacity as an SAI, RCA will function in accordance with INTOSAI professional standards and will safeguard Romanian and EU financial interests.

Strategic measures and specific actions have been detailed for each objective. The strategic objectives will be updated as necessary by carefully monitoring emerging risks factors.

- RCA's standards are being updated, with an emphasis on implementing good practice in the management of audit quality.
- RCA's Code of Ethics is also being updated to ensure auditors' inde-

pendence, objectivity, and integrity within the audit work performed.

For additional information, contact the RCA:

E-mail: rei@rcc.ro

Web site: www.curteadeconturi.ro

Sweden

New Auditor General

The Swedish Parliament has appointed Gudrun Antemar as a new Auditor General for the Swedish National Audit Office for a term of 7 years, effective July 1, 2010. The Swedish SAI is headed by three Auditors General. Ms. Antemar joins Claes Norgren and Jan Landahl, who continue in their respective positions as Auditors General.



Gudrun Antemar

Ms. Antemar has a masters degree in law from Stockholm University and previously served 6 years as Director General at the Swedish Economic Crime Authority. She also served for 4 years as Director and Chief Legal Officer at the Office of the Prosecutor-General and as a judge at the Stockholm District Court. Before that, she served 7 years as a

Deputy Director and Legal Adviser at the Ministry of Justice. In addition Ms. Antemar has been a trade union representative.

For additional information, please contact the Swedish National Audit Office:

E-mail: int@riksrevisionen.se

Web site: www.riksrevisionen.se

Switzerland

Federal Audit Office Publishes Annual Report for 2009

The Swiss Federal Audit Office (SFAO) is the supreme audit authority for the Swiss Confederation and reports annually to Parliament and the Federal Council on the extent and focus of its audit activities and on important findings. The SFAO audits all levels of budget implementation, and its audit activities support the Parliament in its overall supervision and the Federal Council in its supervision of the administration. The 2009 annual report gives an overview of the audit activities and their results for the past year. It can be found at www.efk.admin.ch and is available in English for the first time. The Web site contains reports on several evaluations, including sideline jobs held by university professors, cost development in motorway tunnel construction, energy research, and the authorization procedure and costs in animal testing.

For 2009, the SFAO conducted various financial supervisions and annual audits resulting in written reports. The introduction of the Swiss Confederation's New Accounting Model led to a fundamental change in financial management of the federal administration. The SFAO found that although administrative units were generally successful in adopting

the changes, the new principles of accounting, internal cost allocation, and internal control systems were not always applied correctly. The SFAO will continue to help consolidate the New Accounting Model. The SFAO's recommendations are not intended to encourage excessive bureaucracy but rather to help balance costs and benefits. With regard to purchasing goods and services, the SFAO repeatedly insisted that procurement legislation directives be observed and orders be awarded based on a competitive tender process. Finally, regarding fiscal equalization within the cantons, the SFAO noted improvements in the quality of data for equalizing resources and compensating burdens.

In addition to financial supervision, the SFAO carries out a number of annual audit assignments and acts as the statutory auditor for social institutions of the Confederation, various public institutions and foundations, and international organizations.

For additional information, contact the SFAO:

E-mail: info@efk.admin.ch

Web site: www.sfao.admin.ch

This article expresses the personal views of the authors and in no way constitutes a formal/official position of the European Commission.

Alleged Fraud Involving Millions of Euros: Why Didn't We Notice?

by Freddy Dezeure and Gregory Van Caenegem (DG INFSO, European Commission) and Dominique Bernadaux, Mattia Ferrara, and Kjell Larsson (OLAF, European Anti-Fraud Office)

Toward the end of 2007, allegations of fraud¹ were made involving millions of euros spent to carry out research projects funded by the European Union (EU). This alleged fraud had apparently gone on for a number of years and had been previously undetected.

This article describes the factors that may have allowed this alleged fraud to occur and the actions that have been taken to address it and prevent its future recurrence. While the alleged fraud in this case occurred in the context of audits of research grants—a rather common public sector role—we believe that the lessons learned can be applied in many other areas in the public sector, such as grants and subsidies or the procurement of infrastructure, goods, or services.

Background

The European Commission is the executive arm of the EU. DG INFSO, one of the Commission's departments, provides EU grants to information technology research projects by cofunding the costs incurred. DG INFSO manages 5,000 projects, and its 15,000 beneficiaries invest more than 1 billion euros per year. DG INFSO carries out 200 annual financial audits on these projects, and the audit results contribute to the annual assurance process.

OLAF, the European Anti-Fraud Office, conducts administrative antifraud investigations to protect the EU budget. Although statutorily part of the European Commission, OLAF is operationally independent as far as its investigations are concerned. It can carry out controls with the help of Member State authorities and, in some cases, with powers similar to national administrative authorities. In its investigations, OLAF cooperates with European Commission departments and national authorities and helps the Commission prevent fraud.

How Did It Start?

At the end of 2007, OLAF contacted DG INFSO to discuss allegations that several entities had claimed substantial but fictitious costs in EU-funded research projects. A highly disturbing detail was that some of these entities had received clean audit reports in the recent past.

As DG INFSO and OLAF analyzed the projects and entities in question, we determined that to confirm or dismiss these allegations we needed radically new cooperation mechanisms between our two departments to synchronize audits and investigations.

¹To improve readability, the term "fraud" is used here to refer to irregularities and suspected fraud, even though the allegations have not been substantiated in a court of law.

A first step was to ensure that we were using the most modern auditing methods, drawing on the new standards issued by the International Auditing and Assurance Standards Board adapted to the public sector context by INTOSAI, and carefully tailoring them to the particular situation.

We also realized that we needed to get insight and drill into vast amounts of data (thousands of legal entities, contracts, transactions, people, addresses, and e-mails). To do that, the advanced data-mining tools that OLAF used were adapted to DG INFSO's audit environment. This resulted in excellent synergies between audits and investigations, though we were always careful to bear in mind and respect the different roles and mandates of audit and investigation.

The information gathered seemed to confirm that a complex fraud scheme had been discovered that might have gone unnoticed over many years. The alleged fraud was conservatively estimated at millions of euros. The alleged fraud scheme we identified gave both auditors and investigators new insights about the strengths and weaknesses of their respective methods and the importance of an effective cooperation between the two professions.

Let us share some of these lessons learned from an auditor's point of view.

How Could This Go Unnoticed?

We are convinced that the alleged perpetrators of the fraud had in-depth knowledge of the EU's control systems and were constantly adapting their behavior as the controls evolved. Loopholes or weaknesses in the regulations were exploited, and misrepresentations were used to an extent that none of us had seen before. The modus operandi included the following:

- Fictitious documents that look formally correct but were completely fabricated were produced to comply with controls.
- Shell companies were set up in remote and uncooperative (tax-haven) places, using fake Web sites, hypothetical activities, and clients involved in other offshore entities.
- Fictitious staff with fabricated curricula vitae were listed. E-mails between these fictitious staff were generated to make it appear that they had worked on the projects.
- Names of real companies and real people were used without their consent to unduly benefit from their established reputations.
- Contracts, invoices, and accounting transactions were massively falsified or coded using fake descriptions.
- Intercompany subcontracting, cross-payments, and back-payments were used to circumvent controls.

EU services were not prepared for the complexity of this fraud scheme and its massive use of misrepresentation. Also, the auditors used traditional audit approaches with standard audit programs that were simply bound to fail in this case. Furthermore, audits were conducted as separate assignments, without links between them.

A key weakness of the existing control processes was undoubtedly the lack of healthy professional skepticism in planning and carrying out audits. Fraud was considered as a scope exception in the auditors' opinion rather than an integral part of the scope, as specified in International Standard on Auditing (ISA) 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements," and International Standard of Supreme Audit Institutions (ISSAI) 1240.

Why Could This Fraud Be Addressed Now?

The shock of large-scale fraud in entities with a clean audit opinion provoked a radical rethinking of our tools and methods, resulting in the following:

- A continuous and proactive cooperation between OLAF and DG INFSO was set up.
- Audit methods were brought in line with current standards. Entities were assessed as a whole, gathering as much information as possible before the fieldwork (ISA 315). For every entity, specific risks were identified and the audit program adapted accordingly (ISA 240).
- An innovative data-mining and risk-assessment approach for audit preparations was designed.
- A new intelligence tool (PLUTO, see box) was developed to analyze anomalies in large volumes of structured data.
- Operational data from DG INFSO's contractual and financial systems, dating back 10 years and comprising 500 gigabytes of information, were downloaded and indexed, allowing keyword search (names, amounts, and dates). This information was used in audit preparation and during the fieldwork.
- All past audit reports and documentation on the suspicious companies and projects were retrieved and analyzed.
- A complete inventory of people, companies, and projects under suspicion was drawn up.

Building on this information, a large number of targeted audits were launched, incrementally building on available information.

Audits were conducted with the level of secrecy required by investigations, limiting the information to a core group of staff. Information was shared on a "need to know" basis. Data and documents were protected using encryption techniques; they were also protected physically.

PLUTO is an intelligence database storing all information about the 15,000 beneficiaries and 5,000 research projects funded by DG INFSO. PLUTO allows the relationships between the various entities it contains (beneficiaries, projects, persons, telephones, and addresses) to be analyzed visually. This analysis identifies risky areas in the contractual environment, facilitating auditing and investigative work. While auditors and investigators still need to demonstrate the fraud, PLUTO makes their task easier by locating the possible areas to look for fraud. PLUTO is based on the commercially available software iBase from i2 Inc.

Lessons Learned for Ongoing Audits and Investigations

While this approach was applied for the first time in a specific fraud case, the lessons learned have now been integrated into our respective daily activities. The following sections describe some of the key elements that have been adopted.

Preparation for Fieldwork

The preparation is designed to

- obtain an accurate risk assessment of the entity,
- devise a proprietary audit program based on identified risks, and
- limit the likelihood that audit evidence will be altered.

The aim is to assess the risk of intentional material misstatements in the entity's cost claims. Two main factors influence this risk:

- the entity's inherent dependency on EU funds and
- evidence of misrepresentation in documents submitted to obtain funding.

For this risk assessment, we analyze the entity as a whole, using all accessible information sources—internal, open, and commercial.

Information is extracted from DG INFSO's contract management systems, and EU project officers are interviewed about the entity's performance. Unexpected changes in the project's objectives are highlighted. Documents submitted by the entity are assessed for indications of misrepresentation or anomalies (in names, signatures, authenticity, authors, or dates). Previous and related audit reports on the entity are analyzed.

Information is collected from company registries: shareholders, directors, related entities, contact references, and accounting data. Information is cross-checked with open sources (such as Google, company Web sites, Wayback Machine, phonebooks, and Google Maps) and internal sources.

Information about the entity's key staff is collected from open sources (such as LinkedIn, PIPL, 123People, and Yasni) and cross-checked with the data provided by the entity.

Information about other fund sources is collected. Income from grants is compared with the entity's annual income statements to assess potential overdependency on grants, which could be an incentive to invent and claim costs not incurred.

All the gathered information is structured and discussed in a brainstorming session with the audit team to determine the key risks and the appropriate audit program.

In most cases, we grant a very short lead-time between the time the audit is announced and the fieldwork (2 weeks instead of months) in order to find the situation as unaltered as possible. In cases where there are clear indications of fraud, OLAF carries out on-the-spot checks without any advance warning, involving DG INFSO auditors as technical experts.

During Fieldwork

Our aim during fieldwork is to

- gain access to essential information,
- obtain an accurate assessment of the entity, and
- safeguard important evidence.

We implement an audit program that is tailored to the entity, applying professional skepticism at every stage. If new elements or new risks emerge during the fieldwork, the audit program is quickly fine-tuned to address them. We ensure that we incorporate unpredictable or unusual components in the program. For example, we

- interview employees that worked on EU-funded projects, including previous employees;
- interview the auditors that have signed assurance statements;
- request that the project's tangible outputs are demonstrated to us;
- consult documents other than traditional ones (such as general ledgers, bank accounts, employment registers, and tax declarations);
- visit the operational premises of the entity; and
- use scientific experts to control the substance and quality of work completed.

We pay additional attention to any scope limitations imposed by the entity.

Essential documents—authenticated by the entity where relevant—are safeguarded as part of the audit documentation. In doing so, we also bear in mind the need for OLAF investigators to substantiate their case and allow documents to be swiftly transmitted to national judicial authorities.

Feedback to the audited entity may be limited to protect subsequent audits or investigations.

After the Fieldwork

After the fieldwork, our main goal is to

- carefully consider whether we have grasped the complete picture, seeing the forest and not only the trees, and
- document the audit findings accurately and in a self-explanatory way.

We analyze the collected information for coherence and plausibility. In some cases, we organize audits in related entities to obtain a complete overview. Communication of conclusions to the audited entity may be deferred until all the linked audits have been completed.

All comments that the audited entity makes when reviewing the audit findings are carefully analyzed, and the audit conclusions are worded carefully.

We feed lessons we have learned concerning potential weaknesses of operational controls into DG INFSO operational services to allow them to improve the controls of the payment and other processes (information technology systems, changing procedures, training staff).

We actively encourage that audit conclusions be implemented as swiftly and efficiently as possible in order to achieve a rapid recovery of improper payments and to dissuade other beneficiaries from similar fraudulent activities.

Challenges

Our new approach is not only resulting in more effective audits and investigations, but also preventing problems. However, it also brings new challenges:

- Success in detecting irregularities results in increased risk of litigation, with additional burden and cost to the European Commission.
- More effective audits increase the reported error rate, which, paradoxically, could result in the perception that the system is more vulnerable to fraud than before.

Both these points underline the importance of active communication with internal and external stakeholders to avoid serious misunderstandings. The underlying reasoning should be that detecting fraud is a positive result that demonstrates an improved control system and, first and foremost, helps ensure that money is used for its intended and rightful purpose.

Therefore, higher error rates that result from better detection mechanisms are, at least in the short term, good news and a promise of better public services in the future.

Conclusions

This article demonstrates how EC services implemented INTOSAI's motto, "*Experientia mutua omnibus prodest.*" In this case, mutual experience did benefit all and resulted in a new combined audit and investigation approach that helped to successfully untangle a very complex and costly example of fraud.

The lessons learned have already led to improved financial and other controls in INFSO. The new approach and tools will also be used by other EC bodies to implement their risk analysis and organize their controls.

We are sure the improved detection of irregularities and the subsequent administrative, financial, and judicial follow-up will also prevent future problems.

However, we also expect that perpetrators of fraud will apply their own lessons learned, which means that our methods will need continuous updating to keep abreast of a changing reality. This case has given us new perspectives and a salutary electroshock, preparing us also for new challenges. We have identified misrepresentation as a key risk factor in our audit work and developed appropriate methods to cover this risk. Things will never be the same again.

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XI ASOSAI Assembly and 4th ASOSAI Symposium

The XI ASOSAI Assembly and 4th ASOSAI Symposium were held October 12-15, 2009, in Islamabad, Pakistan. Participants included 138 delegates from 31 member SAIs and observers from the INTOSAI Secretariat and the INTOSAI Development Initiative (IDI). The ASOSAI Governing Board met for its 40th and 41st meetings before and after the assembly and symposium, respectively.



Participants in the ASOSAI Assembly in Islamabad, Pakistan, in October 2009.

The inaugural ceremony of the assembly was chaired by Farooq H. Naek, Chairman of the Senate (upper house of the Parliament) of Pakistan. Liu Jiayi, then Chairman of ASOSAI and Auditor General of China National Audit Office, and Josef Moser, INTOSAI Secretary General and Auditor General of Austria, welcomed the attendees during the opening ceremony.

In his inaugural address, Mr. Naek stated, “Supreme Audit Institutions are important pillars of good governance. They play a crucial role in ensuring that public resources are managed and utilized with financial propriety and in compliance with the laws and rules. The greater the powers, independence, and capacity of audit institutions, the greater will be the impact on the country’s financial management and operations besides promoting transparency, accountability, and good governance.” He emphasized that the “spirit of democracy lies in openness, fair play, transparency, and accountability. An efficient and effective SAI goes hand in hand with democracy and

good governance.” Mr. Naek expressed his hope that the deliberations and discussions in the assembly and the symposium would be productive and contribute to the promotion of good governance—a common goal we all cherish.

First Plenary Session

During the first plenary session, the assembly approved reports on ASOSAI’s (1) activities since the 2006 assembly in China, (2) 2008 financial statements and the Audit Committee report on those statements, (3) strategic plan, (4) training activities, including IDI-INTOSAI activities for ASOSAI, (5) eighth research project on environmental auditing, and (6) journal and Web site. Reports on INTOSAI’s Finance and Administration and Knowledge Sharing Committees were also presented.

The assembly also discussed the ASOSAI strategic plan. In view of the significant progress made under the plan, the assembly approved the recommendation of the 40th ASOSAI Governing Board meeting to develop an updated 5-year strategic plan for 2010–2014 and to set up a task force to carry out this work.

The assembly approved an amendment to the ASOSAI Charter making the ASOSAI Training Administrator a member of the Governing Board. As a result, the Board of Audit of Japan, the current ASOSAI Training Administrator, has become a board member. The assembly also increased the size of the Governing Board from 9 to 11 members, with the outgoing Chairman and Secretary General serving for one additional term to recognize their past contributions and provide continuity in the board’s functioning.

The assembly approved the recommendation that ASOSAI’s rules and regulations explicitly reflect the board’s responsibility to seek and nominate the next host/Secretary General candidate and nominate the ASOSAI representative to the INTOSAI Governing Board.

The assembly recognized the best article published in the ASOSAI journal (the *Asian Journal of Government Audit*) over the preceding 3 years. The journal’s Board of Editors (the heads of the SAIs of the Philippines, Sri Lanka, and India) served as the panel of judges and named “Problems of Risk Assessment in Group Financial Statements” by Tanweer Ahmed of the SAI of Pakistan, published in the October 2007 issue, as the best article.

During the first plenary session, the chairmanship of ASOSAI was transferred from Liu Jiayi, Auditor General of China, to Tanwir Ali Agha, Auditor General of Pakistan. On that occasion, Mr. Liu thanked the ASOSAI community for its contributions and support during his tenure and expressed his anticipation of ASOSAI’s continued success in the future. Mr. Agha acknowledged ASOSAI’s progress under China’s leadership and his appreciation for Mr. Liu’s stewardship of the organization. Mr. Agha assured ASOSAI members that he would focus on carrying ASOSAI’s mission forward within the framework of its charter and with the cooperation, assistance, and support of the ASOSAI family and its strategic partners.

Second Plenary Session

During the second plenary session, the assembly approved the Governing Board recommendation that the SAI of India host the XII ASOSAI Assembly in 2012. The assembly also elected the SAIs of Kuwait, Indonesia, Bangladesh, Turkey, Vietnam, and Iraq to the Governing Board and approved the selection of the SAI of Korea as the next Secretary General. The assembly also approved the ASOSAI budget for 2009–2011 and the report of the ASOSAI Working Group on Environmental Auditing for 2006–2009.

During the second plenary session, Hwangsik Kim, Chairman, Board of Audit and Inspection of Korea, took over as Secretary General from Vinod Rai, Comptroller and Auditor General of India. In his remarks, Mr. Kim noted that the 21st century is characterized by ever-changing information and that SAIs need to commit themselves to ongoing renewal and innovation to keep pace with changing demands. He assured the ASOSAI fraternity that he would focus on fully supporting member SAIs as they take initiatives to face the challenges of the 21st century.

Fourth ASOSAI Symposium

The 4th ASOSAI Symposium, held on October 14, addressed the role of SAIs in enhancing the effectiveness of public expenditures and was moderated by Tanwir Ali Agha, the new ASOSAI Chairman. Vinod Rai, then Secretary General of ASOSAI, noted in his opening remarks the significant role that public audit plays in enhancing the effectiveness of public expenditures. Muhammad Anwar, Deputy Auditor-General of Pakistan delivered the keynote address, followed by special reports from the SAIs of Sri Lanka, Kazakhstan, and Vietnam and a panel discussion by representatives from the SAIs of Bhutan, Malaysia, Pakistan, and Russia.

The following common elements emerged during the presentations and the subsequent open discussion among all participants:

- Stakeholders around the world are interested in enhancing the effectiveness of public expenditures. SAIs have a responsibility to ensure that the expectations of society at large are met.
- Timely accountability is very important in ensuring effectiveness, and SAIs play a fundamental role in ensuring effectiveness through high-quality, timely reports. Delayed audit reports are not relevant and do not enhance effectiveness or support accountability. Transparency also plays a significant role in this regard. The media in particular highlight specific issues.
- To evaluate effectiveness, appropriate and acceptable performance indicators must be developed to establish benchmarks against which the effectiveness of expenditures can be measured. The SAI of Malaysia has developed an innovative Accountability Index against which agencies are rated; this concept generated significant interest among participants.

- SAs cannot play their roles in isolation. They must develop links with other stakeholders, such as Parliaments, the executive branch, media, and citizens. SAs need to create greater awareness of the problems they identify. However, they need to do this in accordance with the environment and legal and constitutional frameworks within which they operate.
- Value-for-money/performance audit and special audit reports are appropriate and effective tools in reporting on the effectiveness of public expenditures.
- SAs must insist on robust and rigorous internal controls. SAs must ensure that internal controls are not only in place but are also effective. The effectiveness of internal audit must be similarly evaluated.
- While high quality and timely audit reports are important, it is equally important that there be compliance with the directives issued by the competent forum at which the reports are discussed. New audit reports must start by identifying issues of non-compliance.
- The quality of institutions and processes has a significant impact on the effectiveness of public expenditures.

For additional information, contact the SAI of Pakistan:

E-mail: agp@agp.gov.pk

Web site: www.agp.gov.pk

VIII CAROSAI Congress

The VIII CAROSAI Congress was held in Belize City, Belize, February 15-19, 2010. The congress theme was promoting effective auditing through an audit quality assurance management framework, and participants included auditors general and directors of audit from across the Caribbean region and observers from other SAIs, external organizations, and this *Journal*.

The outgoing Chair of CAROSAI, Terrance Bastian, Auditor General of the Bahamas, opened the first general plenary meeting. At that meeting, Dan Duguay, then Auditor General of the Cayman Islands and the Chairman of CAROSAI's Regional Institutional Strengthening Committee (RISC), presented a report noting that the RISC program was coming to an end. He submitted a resolution to dissolve the RISC that was approved by the participants.

Else Karin Kristensen, Deputy Director General of the INTOSAI Development Initiative (IDI), made a presentation on IDI's role in CAROSAI and activities since the previous congress. She reported that the emphasis had been on the transfer of learning for on-the-job use and that a handbook on quality assurance for financial audits had just been issued. She also noted that risk-based audit had been identified as a future priority for the region

Terrance Bastian and Lorelly Pujadas, IDI Institutional Strengthening Manager, discussed CAROSAI's operational plan for 2009. They reported that several proposed 2009 activities linked to the projects funded by the World Bank had not been undertaken since the process of procuring a World Bank project consultant is ongoing. It was decided that a subcommittee of the VIII Congress would develop a resolution that would allow CAROSAI to raise its concerns about the nonfunctional nature of certain Public Accounts Committees at the next meeting of CARICOM (the Caribbean Common Market), scheduled to be held in Trinidad and Tobago.

Florence Lee, Auditor General of Montserrat, presented a paper on the role of SAIs in the fiscal management strategies of government in times of global crisis. Pamela Monroe Ellis, Auditor General of Jamaica, presented a paper on promoting effective auditing through a quality assurance framework.

In the areas of knowledge sharing and capacity building, Ms. Pujadas also reviewed the risk-based approach to financial audit programs, providing the heads of SAIs with detailed information on how this approach will be used on the next joint cooperation program that CAROSAI will undertake. The SAIs of Jamaica, Barbados, and St. Lucia confirmed



Florence Lee, Auditor General of Montserrat, addresses the CAROSAI Congress in Belize.

their participation in the program. The SAI of Guyana also asked to be part of the program. The SAIs of St. Lucia and Barbados agreed to host a development workshop and review meeting, respectively.

Several external participants also made presentations at the congress. Gillian Fawcett, head of public sector policy for the Association of Chartered Certified Accountants, led a public sector round table discussion. Robert Reeve, a senior analyst and value-for-money specialist at the United Kingdom's National Audit Office, discussed enhancing SAI value-for-money capability. Rolf Elm Larsen, a director with the SAI of Denmark and representative of the Professional Standards Committee, discussed the role of standards and, specifically, the International Standards of Supreme Audit Institutions (ISSAI). John Noseworthy, Auditor General of the Province of Newfoundland and Labrador, Canada, reviewed a recent audit his office conducted regarding the allowances spent by members of the provincial parliament.

Representatives of the OLACEFS Chair (the Colombian SAI), the Organization of American States, and the Inter-American Development Bank (IDB) also made brief presentations on topics including the initiatives of the Colombian SAI to fight corruption and the changing role of the IDB.

At the second general plenary session, delegates discussed the strengthening and sustainability of CAROSAI as a regional body. In this regard, a four-committee structure for implementing the goals of the CAROSAI strategic plan for 2011 was ratified. The General Secretary noted that a manager and an administrative assistant at the CAROSAI Secretariat may be needed to facilitate administrative and program activities resulting from a World Bank grant.

It was also noted that IDI would facilitate a study tour for the Chairman and Secretary General of CAROSAI to the office of the AFROSAI-E (English-speaking AFROSAI) Secretariat based in Pretoria, South Africa, in March. The purpose of the tour is to observe the organizational structure and sustainability models at the AFROSAI-E Secretariat with a view to enhancing CAROSAI's institutional capacity.

In other business, a new Executive Council was established with the SAI of Belize as Chair; the SAI of St. Lucia as Secretary General; and the SAIs of Montserrat, Antigua and Barbuda, and Trinidad and Tobago as members. The SAI of Jamaica was appointed auditor, and the SAI of the Bahamas was named as CAROSAI's representative to the INTOSAI Governing Board.

At the end of Congress, Edmund Zuniga, Auditor General of Belize and the incoming CAROSAI Chair, noted that it was time for CAROSAI to begin drafting a new strategic plan.

The SAI of Trinidad and Tobago agreed to host the IX CAROSAI Congress in 2013.

For additional information, contact the SAI of Belize:

E-mail: AuditorGeneralBelize@audit.gov.bz

Web site: www.audit.gov.bz

A graphic featuring a spotlight on the left side, casting a beam of light towards the center. The text "Spotlight on" is written in a cursive font, and "THE STRATEGIC PLAN" is written in a bold, serif font. A large, stylized globe is in the background, partially obscured by the text.

Spotlight on THE STRATEGIC PLAN

by Kirsten Astrup, INTOSAI Director of Strategic Planning

At the 2004 INCOSAI in Budapest, member countries unanimously adopted INTOSAI's first-ever strategic plan. During the past 2 years, I have had the honor and pleasure of assisting the Chair of INTOSAI's Strategic Planning Task Force in developing the organization's second strategic plan in close cooperation with the Secretary General, the goal chairs, and other task force members. The final plan document will be distributed to the Governing Board and all members SAI before it is presented to the XX INCOSAI for approval.

During the first hearing round, we incorporated comments received from both the task force and INTOSAI members and, during March/April 2010, produced a new draft plan based on the task force members' review. That draft was translated into INTOSAI's official languages in May 2010 and sent to all SAIs for a second hearing round.

Most of you are still reviewing that draft, but I have already received some comments from member SAIs. I am looking forward to analyzing these comments in more depth, as I am convinced that they will improve the latest draft of the second strategic plan. I believe that this will be the final draft of the plan for 2011–2016 that I will forward to the Chair of the task force following consultation sessions with the four goal committee chairs over the summer. While I am unsure about the number of drafts I have worked with during the past 2 years, every version has been improved after incorporating comments from the task force, the Finance and Administration Committee, and the Governing Board as well as from the whole membership during the first hearing round.



Kirsten Astrup

In the April issue of the *Journal*, I wrote about key issues in the revised INTOSAI strategic plan for 2011–2016 and the importance of INTOSAI's seven core values, which form the basis for the new plan. In my opinion, the strategic plan has revitalized the whole organization—not only the chairs of our four strategic goal committees and the subcommittees, working groups, and task forces, but also all the supreme audit institutions (SAI) participating in those groups that are implementing the plan's strategic objectives and activities. In our SAIs, we already have thousands of people working to promote INTOSAI and advocate for it as a model international organization.

While having a strategic plan is important, it is equally important to ensure that the elements of the plan are being implemented effectively to achieve the plan's strategic objectives. Since being appointed Director of Strategic Planning, I have closely followed activities related to the plan. I am happy to witness every day that INTOSAI's first strategic plan continues to be implemented with great efficiency and broad-based support.

At the beginning of May, I participated in the meeting in Copenhagen of the Steering Committee of the Professional Standards Committee, together with about 40 other professionals who demonstrated their strong engagement in efforts to improve our organization by developing standards and other audit guidance material. The Steering Committee of the Capacity Building Committee also recently held its annual meeting in Washington, and the Steering Committee of the Knowledge Sharing Committee will hold its meeting later this summer.

All the activities and efforts I have witnessed during my period as Director of Strategic Planning have clearly demonstrated that INTOSAI members are working together in a more structured way as a result of our first strategic plan. INTOSAI's motto, "Mutual Experience Benefits All," has taken on a renewed meaning for all of us.

The strategic plan has also opened the door for partnership between the international donor community and INTOSAI. The memorandum of understanding INTOSAI entered into with the donor community last year stipulates, among other things, that donor support will be used to (1) develop and implement SAI strategic plans and (2) develop action plans, as many SAIs still need support to strengthen their strategic planning capabilities.

A new Director of Strategic Planning will be appointed for the next 3 years at the XX INCOSAI in South Africa in November. My final column in the October issue of the *Journal* will summarize my experience with INTOSAI strategic planning in general and the implementation of the second INTOSAI strategic plan. I will also look back and summarize my time as Director of Strategic Planning.

Please feel free to contact me at astrup@rechnungshof.gv.at if you have comments or would like to give feedback on issues related to implementing INTOSAI's strategic plan.

INSIDE INTOSAI

Conference on Strengthening External Public Auditing in the INTOSAI Regions

On May 26 and 27, 2010, the INTOSAI General Secretariat hosted a 2-day conference in the Austrian Parliament on strengthening external public audit. Heads of SAIs from INTOSAI's seven regional working groups (AFROSAI, ARABOSAI, ASOSAI, CAROSAI, EUROSAI, OLACEFS, and PASAI); representatives of the United Nations, World Bank, Interparliamentary Union, and donor community; and external experts attended the event.



Participants in the conference on strengthening external public auditing assemble in front of the Austrian Parliament.

On the first day, the conference sessions addressed the role and responsibilities of external public audit. The speakers emphasized the role that SAIs play in the system of checks and balances of state powers in democracies in ensuring efficient and transparent government and accountability and promoting good governance. The speakers also underlined the instrumental function of SAIs in fighting corruption and achieving the United Nations Millennium Development Goals. There was a general consensus that given the current financial and economic crisis, SAIs are gaining importance and influence. SAIs are perceived as embracing values such as credibility; in addition, they are trusted by citizens and the international community.

The speakers repeatedly stressed independence as a fundamental prerequisite for the effective delivery of SAI tasks. The conference re-endorsed INTOSAI's objective of incorporating the basic principle of independence that the Lima and Mexico Declarations laid down in international law. Moreover, the crucial role of INTOSAI's standards and guidelines in asserting SAI independence was recognized.

The speakers emphasized that presenting the value and benefits of independent SAIs for government and civil society is another major prerequisite for the effectiveness of external public auditing and that communication with the public is instrumental in achieving this goal.

The second day of the conference was devoted to SAI capacity building. The issues addressed included INTOSAI's cooperation with the donor community to build institutional capacity in developing and emerging countries. Specific presentations discussed current activities of the INTOSAI Development Initiative (IDI) in this area and IDI's role in the cooperation between INTOSAI and the donor community.

Based on the specific needs and challenges identified by the SAIs represented, the joint conclusions of the delegates recommended that a stronger focus be placed on the following core issues: independence, institutional capacity building, the development of material and staff competences, the development and use of professional audit standards and methods, training and development, knowledge sharing and transfer, and the presentation of the value and benefits of independent SAIs. A document containing the complete text of the conclusions and recommendations was issued after the conference. The document is available in INTOSAI's five official languages on the INTOSAI Web site (www.intosai.org/en/portal).

For additional information, contact the INTOSAI Secretariat at intosai@rechnungshof.gv.at.

Meeting of the Steering Committee of the Professional Standards Committee

The annual steering committee meeting of the Professional Standards Committee (PSC) took place in Copenhagen in May 2010. One of the meeting's purposes was to approve the last few International Standards of Supreme Audit Institutions (ISSAI) and INTOSAI Guidance for Good Governance (INTOSAI GOV) that had been prepared by the PSC subcommittees on Financial Audit, Performance Audit, Compliance Audit, Internal Control Standards, and Accounting and Reporting, as well as the Projects on Audit Quality Control and Transparency and Accountability.

The ISSAI framework has been developed into a comprehensive set of standards and guidelines. After a very productive session in Copenhagen, the PSC is ready to present 36 ISSAIs and 2 INTOSAI GOVs for approval in November at the XX INCOSAI in Johannesburg, South Africa. Mr. Otbo, Chairman of the PSC, stated, "It is my hope that SAIs around the world will find the ISSAIs useful and supportive in their daily auditing practice."

Three of the new ISSAIs deal with transparency, accountability, and quality control. A number of other ISSAIs related to audits of financial statements address such areas as audit evidence, using the work of internal auditors, sampling, and fraud. Similarly, standards for performance and compliance audit are now included in the ISSAI framework. The two new INTOSAI GOVs deal with internal auditors and cooperation between internal auditors and SAIs.



Participants in the May 2010 Steering Committee meeting of the Professional Standards Committee.

Before being endorsed at the XX INCOSAI, versions of the new ISSAIs and INTOSAI GOVs have been released on www.issai.org in English. Translations into the other official INTOSAI languages will be available in October. The PSC encourages all INTOSAI members to visit the Web site and familiarize themselves with the new standards. In line with the request of the South African INCOSAI host to keep printed material to an absolute minimum, the new ISSAIs will be available only electronically to congress delegates on the ISSAI Web site, which also presents information on the ISSAI framework and all the previously endorsed ISSAIs. Interested parties can receive news from the Web site by signing up for the e-mail update service.

In the coming years (2011–2013), the PSC will shift its main focus from developing new ISSAIs to the following three new tasks:

- continuing to develop and maintain the current ISSAIs and INTOSAI GOVs,
- raising awareness of the ISSAIs and promoting the visibility of the ISSAI framework and the application of the ISSAIs and INTOSAI GOVs in SAIs, and
- working on the Harmonization Project, which will provide a conceptual basis for public sector auditing and ensure consistency in the ISSAI framework.

For additional information, contact the PSC:

E-mail: psc@rigsrevisionen.dk

Web site: <http://psc.rigsrevisionen.dk>

Financial Audit Subcommittee

Activities to Raise Awareness

The Financial Audit Subcommittee's (FAS) introductory presentation, handout, and speaking notes on the INTOSAI Financial Audit Guidelines have been translated into the official INTOSAI languages and will be available on the FAS Web site by the end of August. The English version of the material had previously been sent to key persons nominated by SAIs to enable them to give introductory presentations to their respective organizations.

Development of Standards and Guidelines

- The Professional Standards Committee (PSC) approved International Standards of Supreme Audit Institutions (ISSAI) 1000 and 1003 at their May steering committee meeting.
- The FAS Chair, Gert Jönsson, is a member of the International Auditing and Assurance Standards Board (IAASB) and is supported by Jonas Hällström as technical advisor. The most recent meeting was held in Mainz, Germany, in June.
- FAS continues to appoint experts to IAASB task forces. Currently, there are INTOSAI experts on task forces to revise International Standard of Accounting (ISA) 610, *Special Considerations – Using the Work of Internal Auditors*, and ISA 720, *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements*.
- The practice notes included in the ISSAIs have been translated into the five official INTOSAI languages. The European Court of Auditors generously translated and proofread the French, German, and Spanish versions, and the translating firm Büro Tazir translated the practice notes into Arabic. The Arabic version was proofread by the Moroccan SAI.
- The endorsement versions of the ISSAIs for financial audit will be available on the ISSAI Web site in all language versions before the INTOSAI congress in November.

FAS Work Plan for 2011–2013

The FAS work plan was approved by FAS in April and by the PSC Steering Committee in May. The work plan includes the following main tasks:

- maintaining and continuing to develop the ISSAIs on financial audit,
- raising awareness,
- contributing to the consistency of the ISSAI framework,
- exploring the possibility of including other standards issued by the IAASB as part of the financial audit guidelines,
- summarizing lessons learned, and
- monitoring implementation of the guidelines among INTOSAI members.

Meetings

The next FAS meeting will be hosted by the Swedish National Audit Office on the island of Sandhamn outside of Stockholm, Sweden, September 8–9, 2010.

For additional information, please contact the FAS Secretariat:

E-mail: projectsecretariat@riksrevisionen.se

Web site: <http://psc.rigsrevisionen.dk/fas>

Capacity Building Committee: Advisory and Consultant Services (Subcommittee 2)

The Office of the Comptroller General of the Republic of Peru (CGR), Chair of Subcommittee 2 of the INTOSAI's Capacity Building Committee, is requesting the collaboration of the INTOSAI community in developing a database of experts in the field of public finance. SAIs are asked to supply information about professionals currently working in different SAIs, as well as recently retired SAI staff who may be available to perform consulting and advisory duties upon request of other SAIs.

To register or to search for experts, please fill out the application at the following Web site: <http://apps.contraloria.gob.pe/intosai>.

For additional information, contact Subcommittee 2:

E-mail: cooperacion@contraloria.gob.pe

Working Group on IT Audit

From April 12–17, 2010, the National Audit Office of the People's Republic of China (CNAO) hosted the 19th INTOSAI Working Group on IT Audit (WGITA) meeting and 6th Performance Auditing Seminar in Beijing. A total of 93 participants from 40 SAIs attended.

In his welcoming address, Liu Jiayi, Auditor General of the CNAO, remarked that with the integration of the global economy and increasing communication in recent years, information technology has brought new challenges as well as new vigor to the auditing profession. He praised the WGITA as an important research group within the INTOSAI community that promotes knowledge-sharing in the field of IT audit. He also stated that the CNAO would like to strengthen its exchanges and cooperation with other SAIs through the WGITA to contribute to the development of IT audit.

Vinod Rai, Chair of the WGITA and Comptroller and Auditor General of India, and Anol Chatterji, his Deputy, presided over the meeting and seminar, respectively. As this was the last meeting before the XX INCOSAI in South Africa in November, participants focused on taking stock of WGITA developments and achievements for

the current period that will be reported to the congress. The participants also discussed and approved the results of the survey on future projects for initiating the new work plan for 2010–2013.

During the seminar, 12 papers from 9 SAIs were presented on the theme of performance measures indicating IT project effectiveness and investment success. Participants exchanged ideas and experiences and actively discussed the theme, which may also be addressed at the next seminar.

For more information, please contact the CNAO:

E-mail: cnao@audit.gov.cn

Web site: www.cnao.gov.cn

INTOSAI Working Group on Key National Indicators

Many countries have developed systems of key national indicators (KNI) to address the important issue of evaluating socio-economic development. SAIs have a key role to play in this process. A draft guide to KNI terms and concepts the U.S. Government Accountability Office (GAO) developed in cooperation with the Organisation for Economic Co-operation and Development (OECD)¹ states the following:

The development of key national indicators can help nations to measure progress toward desired national outcomes, assess conditions and trends, and help communicate complex issues. Key national indicators can be seen as part of efforts to align the programs and policies of governments with the results—a healthy and educated population, adequate jobs and housing, a healthful and sustainable environment—that citizens care about. For Supreme Audit Institutions (SAIs), key national indicators represent an important tool to help promote transparency and accountability in government.

SAIs can contribute to the use of KNIs in a wide variety of ways, including validating the reliability of indicators and incorporating them into their performance audits. KNIs can also support the work of audit organizations by providing widely-accepted standards, goals or criteria against which to assess government performance.

¹ GAO/OECD, *Key National Indicators: Draft Guide to Terms and Concepts* (www.ach.gov.ru/userfiles/tree/OECD-GAO%20Glossary-tree_files-fl-186.doc), March 2010.

The INTOSAI Working Group on Key National Indicators was established by the XIX INCOSAI (November 2007 in Mexico City) within the framework of goal 3 of the INTOSAI Strategic Plan for 2005–2010. The working group, which comprises 21 full members and 5 observers, has collected extensive materials on SAI experiences in developing and using national indicators and launched several pilot projects. It has carried out scientific and practical tests of methods and techniques for multidimensional visualization of KNI measurements.

The working group's first meeting, held in Moscow in May 2008, was attended by representatives of 20 SAIs (16 working group members and 4 observers) and two international organizations (OECD and the World Bank). During this meeting, terms of reference, rules of procedures, and a working plan for 2008 were discussed and approved. A working plan for 2009 was proposed for further consideration.

After this first meeting, a bilingual (English and Russian) Web site was developed for the working group (www.ach.gov.ru/en/intosaikni). It serves as a tool for online exchanges of information related to the development and use of key national indicators.

The working group's second meeting was held in Beijing in April 2009. It included a seminar on conceptual approaches to developing and using KNI systems. It was attended by 16 SAIs (15 working group members and 1 observer) and one international organization (OECD). During this meeting, the output of the working group subprojects was considered and the working plan for 2009 was approved.

At the working group's third meeting—held April 7–8, 2010, in Astana, Kazakhstan—the main outcomes of working group activities for the preceding 3 years were discussed. In addition to discussing subproject outcomes, working group members approved the structure of a white paper on developing and using KNI systems and the working plan for 2010. The white paper provides the basis for developing a reference model for SAI activity within the KNI system to develop, implement, and compare national strategies for social and economic development. Also, a knowledge base on KNIs, which includes data from countries and international organizations, and principles for SAI application of KNIs were presented at the meeting. The working group members decided to examine the working group activities that the Secretariat had proposed and draw up a working plan for the next 3 years.

Since its first meeting, the working group's membership has increased. The SAIs of Austria, Israel, Indonesia, and Bulgaria became members and Kyrgyzstan joined the group as an observer.

Several subprojects are being carried out to implement the working group's terms of reference:

- The U.S. GAO prepared the previously mentioned *Key National Indicators: Draft Guide to Terms and Concepts* (www.ach.gov.ru/userfiles/tree/OECD-GAO%20Glossary-tree_files-fl-186.doc) based largely on GAO and OECD work. More than a glossary, it is a dynamic guide to terms and concepts and will be regularly updated to reflect new developments in this evolving field. The terms and definitions of the guide will be part of the *INTOSAI Glossary of Auditing Terms*.

- The SAI of Hungary is coordinating a KNI pilot project to develop a common set of metrics for a knowledge-based economy in order to allow for international comparisons. A final paper on this subproject (available at <http://www.ach.gov.rulen/intosaikni/wpaperskni/?id=380>) describes the importance of disseminating knowledge-intensive products and services, the need to develop a knowledge society, and the indicators in these fields.
- The SAI of Latvia prepared a review of international experiences in developing and using KNIs. The review outlines established principles for policy planning and performance measurement in 47 countries that were surveyed. The information in this review was obtained through responses to a survey and information from publicly available sources. The review was divided into three sections: general issues of planning and performance measurement, national indicators review, and performance management review.
- The SAI of Russia is coordinating a subproject on KNIs within the framework of the Commonwealth of Independent States (CIS). For this subproject, draft guidelines for using KNIs in performance audits have been prepared. The guidelines include a glossary of English-Russian comparisons. The subproject has also (1) analyzed international experiences and perspectives on the use of KNIs in the activities of the SAIs of CIS member states and (2) developed a knowledge base of KNIs. Also, a KNI expert group, comprising the heads of the CIS SAIs, was established and met three times in 2008 and 2009. All the documents of the expert group have been placed on its Web site (www.ach.gov.ru/rul/cis).

The working group's cooperation with the OECD has been an important part of its activities. In early 2009, the two parties signed a memorandum of understanding (MOU) to collaborate on measuring the progress of societies. In accordance with the MOU, the working group organized a parallel session entitled "Key National Indicators in the System of External Control" during the OECD Third World Forum in Busan, Korea, in October 2009. During that session five members of the working group—representatives of Austria, Poland, Hungary, the United States, and Russia—discussed issues of knowledge-based economies and societies, KNIs as a tool of planning and auditing, and issues in the use of KNIs in SAI activities.

The activities of the working group were reported in this *Journal* (January 2009), in the *Asian Journal of Government Audit* (April 2009), and at the first meeting of the INTOSAI Knowledge Sharing Committee (under goal 3 of the INTOSAI Strategic Plan) in New Delhi, India, in March 2009. The working group will report on its activities over the past 3 years and its proposals for the future at the XX INCOSAI in South Africa in November 2010.

Underlying the working group's activities is a recognition that each country has its own values and chooses its own goals and paths to development. Asian, African, American, and European countries have very different starting points, capabilities, and traditions. While sharing an interest in having metrics for measuring progress both nationally and globally, working group members recognize that the national, historical, cultural, and economic differences within each country should be respected.

This means that in developing KNIs, the objective should be transparency in the formation, implementation, and assessment of national strategies rather than unification. Working group members believe it would be inappropriate to draw up a prescriptive list enumerating KNIs for development. At the same time, however, SAIs can play a constructive role in ensuring that KNIs in their own countries are reliable and relevant and can serve as a basis for assessing government performance.

For additional information, contact the working group:

E-mail: intrel@ach.gov.ru, inorg@ach.gov.ru

Web site: www.ach.gov.ru/en/intosaikni

Meeting of the Working Group on the Value and Benefits of SAIs

The Working Group on the Value and Benefits of SAIs met in Moscow during March 2010. The Auditor-General of South Africa, Terence Nombembe, chaired the meeting, which was hosted by Sergey Stepashin, the Chairman of the Accounts Chamber of the Russian Federation. The meeting's objectives included finalizing the group's discussion paper that is to be presented at the XX INCOSAI in South Africa later this year and discussing the future plans of the working group.

The working group agreed on the following in principle:

- a framework to communicate and promote the value and benefits of SAIs;
- inclusion of the framework in the ISSAI framework following proper due process;
- the need to promote global understanding on the value and benefits of SAIs;
- use of the framework as a basis for assessing where SAIs need further assistance and where INTOSAI can develop that guidance; and
- use of the framework as another tool to provide input into the INTOSAI strategic plan.

The final discussion paper on the value and benefits of SAIs will be made available in all official INTOSAI languages on the official INCOSAI Web site (www.incosai.co.za) by the end of July 2010.

The next meeting of the working group is planned for November 20, 2010, in Sandton, Johannesburg, South Africa, preceding the INTOSAI Governing Board meeting and the XX INCOSAI.

For additional information, contact the SAI of South Africa:

E-mail: agsa@agsa.co.za

Web site: www.agsa.co.za

Third Meeting of the INTOSAI Communications Task Force

Based on the Communications Policy adopted by the XIX INCOSAI, the INTOSAI Governing Board resolved in November 2007 to establish the INTOSAI Communications Strategy Task Force, under the chairmanship of the INTOSAI Secretary General, to enhance INTOSAI's internal and external communications. The members are India (ASOSAI and the INTOSAI Collaboration Tool), Libya (AFROSAI), New Zealand (PASAI), Norway (IDI), Panama (OLACEFS), Spain (EUROSAI), St. Lucia (CAROSAI), Tunisia (ARABOSAI), and the United States of America (this *Journal*).

The third meeting of the INTOSAI Communications Strategy Task Force took place on May 28, 2010, at the Austrian Court of Audit in Vienna. Attending the third meeting were representatives from the SAIs of Austria, Belize, Denmark, India, Mexico, Morocco, Norway, Pakistan, Panama, Poland, Saudi Arabia, South Africa, South Korea, Spain, Tunisia, the United States of America, and Yemen.

Dr. Josef Moser, Secretary General of INTOSAI and chair of the task force, welcomed task force members. The SAI of India presented an update on the INTOSAI collaboration tool and distributed a training CD to task force members, noting that this *Journal* had recently run an article profiling the collaboration tool and that any SAI could request access to the tool for its staff or INTOSAI work groups by sending an e-mail to the SAI of India at support@intosai tool.org.

Task force members then reviewed and commented on a draft of the INTOSAI Communication Guideline, which sets out the principles of internal and external communication for INTOSAI and its members to (1) ensure effective, transparent, accurate, and timely communication and (2) help enhance the visibility of the organization. A final draft, based on the comments received at the meeting, will be circulated to task force members for another round of comment.

The task force also continued work on a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis of INTOSAI communications to help develop appropriate communication strategies for the organization. Task force members agreed to submit to the chair by the end of June the elements identified to date in the SWOT analysis that they consider to be most important.

The next task force meeting will be held during the XX INCOSAI in Johannesburg, South Africa, in November.

For additional information, contact the INTOSAI Secretariat:

E-mail: intosai@rechnungshof.gv.at

Web site: www.intosai.org

EUROSAI Seminar on Performance Audit of Social Programs for Professional Integration of the Disabled

In January 2010, the SAI of Poland (NIK) hosted a 2-day seminar on performance audit of social programs for professional integration of the disabled. The seminar was organized in cooperation with the European Institute of Public Administration and its Warsaw-based European Centre for Public Financial Management, which contributed subject matter expertise on the topic. The seminar was designed for EUROSAI practitioners involved in auditing social programs.

The seminar's objective was to discuss the experiences of EUROSAI member SAIs and give delegates a step-by-step approach to use in designing, managing, and conducting performance audits and reporting findings. The inspiration for the seminar came from the VII EUROSAI Congress held in Kraków in June 2008, one of whose themes was the audit of social programs for the professional integration of the disabled. The congress recommended that SAIs take full advantage of the opportunities to share knowledge and experience that EUROSAI colleagues had already gained in this area. The NIK of Poland decided to follow up on this recommendation during its term as President of the EUROSAI Governing Board by offering this seminar and a parallel audit on employing persons with disabilities in the public sector.



Participants in the EUROSAI seminar in Poland on auditing social programs for the professional integration of the disabled.

All materials from the seminar—general information, presentations, and group photos—are available on the EUROSAI Presidency Web site at www.euro sai2008.pl.

For additional information, contact the NIK:

E-mail: wsm@nik.gov.pl

Web site: www.nik.gov.pl

IDI/OLACEFS Train the Trainer Program

In response to OLACEFS' request that IDI train a new group of training specialists, preparations have been completed for the region's third round of the modified Train the Trainer Program during 2010. The program, which now includes modules on capacity building and learning for impact, will be delivered as a blend of e-learning and classroom training. Its first activity was the online selection of 50 participants. The next activity will be the online delivery of the Course Design and Development Workshop (CDDW). Participants who successfully complete the CDDW will be invited to an Instructional Techniques Workshop (ITW) to be held in 2011. At this workshop, they will learn and have opportunities to practice a variety of instructional techniques. They will also be evaluated on their instructional and facilitation skills. Participants who successfully complete the CDDW online and the ITW will graduate as IDI-certified training specialists.

Transregional Capacity Building Program on Public Debt Management

In 2008, IDI launched the Transregional Capacity Building Program on Public Debt Management, which is designed to enhance professional staff development and the organizational capacity of participating SAIs in public debt audit. The program, which will continue until 2011, is being delivered in cooperation with the Debt Management Program (DMFAS) of the United Nations Conference on Trade and Development (UNCTAD), the United Nations Institute for Training and Research, and the INTOSAI Working Group on Public Debt (WGPD).

For the program, audit teams from 29 participating SAIs are expected to hold an audit planning meeting and carry out public debt management audits in accordance with their audit plans before February 2011. Expert teams from the WGPD, DMFAS, and UNCTAD will support them during these audits. Experts from the World Bank and the Commonwealth Secretariat, as well as regional subject matter experts, will also participate in the program. Support for the participating SAIs will be provided through the Internet or through visits as needed. The audit teams will also be encouraged to share their experiences and challenges with other SAI teams. By the end of this phase in February 2011, the teams are expected to have tested the draft audit procedures for their SAIs and prepared a draft of their audit findings.

IDI/PASAI Cooperative Performance Audit Reporting Meeting

In 2009, IDI cooperated with PASAI and the Asian Development Bank on the region's first cooperative performance audit of an environmental issue (solid waste management). After a pilot study and audit planning meeting last year, teams from 10 SAIs completed their field audits and preliminary data analysis by the end of February 2010 and sent their draft audit findings to a subject matter expert (SME) and IDI. IDI invited the teams that had completed the field assignment to a meeting on writing audit reports that was held in Fiji April 8–15, 2010. The participating SAIs were from Fiji, the Cook Islands, the Federated States of Micronesia, the Marshall Islands, Palau, Tonga, Tuvalu, Papua New Guinea, Guam, and Samoa. During the meeting, the

IDI UPDATE



IDI Update keeps you informed of developments in the work and programs of the INTOSAI Development Initiative. To find out more about IDI and to keep up to date between editions of the *Journal*, look at the IDI Web site: www.idi.no.

SME and IDI staff reviewed and approved the reports. As the last component of the program, the reports have been taken back to the respective SAIs for approval from the Auditors General.



Participants in the April 2010 PASAI reporting meeting in Fiji for the first cooperative performance audit on solid waste management.

IDI/AFROSAI-F Audit Methodology Program

During 2008 and 2009, IDI conducted a train-the-trainer program for French-speaking sub-Saharan African SAIs. Twenty-five new training specialists graduated from that program and an audit methodology course was designed and delivered. The same audit methodology course has been revised and is being delivered locally in 2010 to strengthen the audit capacity of selected SAIs in French-speaking sub-Saharan Africa. Based on the results of a survey questionnaire, the SAIs from four countries (Burkina Faso, Burundi, Congo Brazzaville, and the Democratic Republic of Congo) were selected to participate.

The first stage of the program was a planning meeting at which the heads of the four selected SAIs agreed on the program process and outcomes and provided the input needed to customize the program to their SAIs' specific needs. During the next stage of the program, four instructor teams are attending workshops in June and July to design local audit methodologies. Each team is responsible for designing an audit methodology course tailored to the needs of one SAI. All relevant International Standards for Supreme Audit Institutions (ISSAI) have been incorporated into the workshop materials.

Transregional Capacity-Building Program for Performance Audits of Environmental Issues in Forestry

IDI is cooperating with the INTOSAI Working Group on Environmental Audit (WGEA) on a Transregional Capacity-Building Program for Performance Audits of Environmental Issues in Forestry. This program has been designed to promote active knowledge-sharing and learning by doing, and its objective is to build

professional and organizational capacity to conduct forestry-related performance audits in 12 participating SAIs from three English-speaking INTOSAI regions: ASOSAI, AFROSAI-E (English-speaking AFROSAI), and CAROSAI. At the May 2010 planning meeting, representatives from the INTOSAI WGEA Secretariat, subject matter experts, and IDI staff agreed on key program activities, roles and responsibilities, as well as audit areas and objectives. The program was launched at the INTOSAI WGEA Meeting in China in June.



Participants in the May 2010 planning meeting held in Oslo for the Transregional Capacity-Building Program for Performance Audits of Environmental Issues in Forestry.

IDI/CAROSAI Development Workshop for the Risk-Based Approach to Financial Audit Guidance

At the February 2009 CAROSAI meeting, the heads of regional SAIs ranked the risk-based approach to audit (RBA) as their highest priority. It was agreed that IDI and CAROSAI would launch an RBA program to assist SAIs in implementing professional standards by developing and initiating a risk-based approach to financial audits. At a development workshop, which took place in St. Lucia in May 2010, a team of regional financial auditors, a subject matter expert, and IDI's Program and Institutional Strengthening Managers worked together for 8 days to develop a step-by-step guide with practical tools to facilitate implementation of a risk-based approach for financial audits. The guide has been aligned to ISSAIs and other best practices.

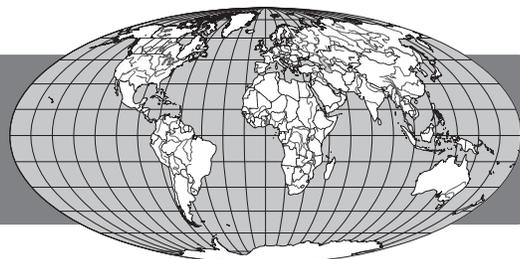
Contacting IDI

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

E-mail: idi@idi.no

Web site: www.idi.no

INTOSAI 2010 Events



July	August	September
<p>7–12 13th PASAI Congress, Tarawa, Kiribati</p>	<p>5-6 Meeting of the Working Group on the Fight against Corruption and Money Laundering, Quito, Ecuador</p>	<p>8–9 Meeting of the Financial Audit Subcommittee, Sandhamn, Sweden</p>
<p>12–13 Meeting of the Working Group on Accountability for and Audit of Disaster-related Aid, Lima, Peru</p>	<p>11-13 Meeting of the Steering Committee of the Committee on Knowledge Sharing and Knowledge Services, Mexico</p>	<p>14-16 Meeting of the Global Financial Crisis Task Force, London, England</p>
		<p>27-30 Meeting of the Performance Audit Subcommittee of the Professional Standards Committee, Brasilia, Brazil</p>
October	November	December
<p>26–27 10th General Assembly of ARABOSAI, Riyadh, Saudi Arabia</p>	<p>20 Meeting of the Working Group on the Value and Benefits of SAIs, Johannesburg, South Africa</p>	<p>8-9 Financial Audit Subcommittee meeting, Stockholm, Sweden</p>
	<p>21 Meeting of the Professional Standards Committee, Johannesburg, South Africa</p>	
	<p>22–27 60th INTOSAI Governing Board meeting, XX INCOSAI, 61st INTOSAI Governing Board meeting, Johannesburg, South Africa</p>	

TBD = To be determined

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

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