

INTOSAI



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*Special Section:
Audits of
Disaster-Related Aid*



October 2006



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

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

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Dr. Josef Moser
*President of the Austrian
Court of Audit and
Secretary General of
INTOSAI*

On July 1, 2004, I was appointed President of the Austrian Court of Audit and Secretary General of INTOSAI. Since just over 2 years of my 12-year term have elapsed, this is a good moment to think back on what has been accomplished during this time and to take stock of the new INTOSAI, which is going from strength to strength.

Taking Stock

As a newcomer to the INTOSAI family, I was immediately taken by the warm welcome I received, INTOSAI's record of accomplishments during its first 50 years, and its immense potential and resources.

I assumed office just as INTOSAI entered a time of renewal, reorganization, and new vision for the future. At the beginning of the new millennium, INTOSAI recognized the need to add tools and instruments to its existing repertoire and pair them with innovative forms of interaction, communication, and leadership to meet the challenges of an ever-changing world of accelerating globalization, dynamic global transformations, and growing demands for accountability and transparency. One of the goals I set for myself as I began my term was to reconcile past achievements with bolder visions for the future. To deliver on my promise of reaching out to the INTOSAI family and enhancing INTOSAI's presence, I have traveled extensively to events and meetings, where I have gotten to know colleagues and forged ties with counterparts around the

globe. Today, I am proud to say, INTOSAI has managed to adjust to its new environment while building carefully on past achievements and has achieved a stronger profile and greater influence in the global arena.

Progress on All Fronts

My appointment to office also coincided with the adoption of INTOSAI's strategic plan for 2005 to 2010 by the 18th INCOSAI in Budapest. This milestone document, a historic endeavor, is being implemented throughout INTOSAI. The strategic plan, which is designed to guide INTOSAI's operations in the years ahead, proposes three primary mission-related goals.

Goal 1 promotes strong, independent, and multidisciplinary SAIs and the development and adoption of effective professional standards. The SAI of Denmark—which chairs this goal and the Professional Standards Committee (PSC) that was established under the goal—set the ambitious objective of merging existing and new INTOSAI standards and guidelines into a common framework. This will give INTOSAI members and other interested parties an overview and common understanding of INTOSAI's auditing standards and guidelines, eliminate existing duplication, focus greater attention on professional standards, and raise the profile and status of INTOSAI's standard-setting process within the broader accountability community.

Goal 2 focuses on building the professional capabilities and capacities of SAIs through training, technical assistance, and other development activities. Under the leadership of the SAI of Morocco, the Capacity Building Committee (CBC) officially presented its terms of reference and instituted three subcommittees at its inaugural conference in London in March 2006. These subcommittees will promote capacity-building activities among SAIs, develop advisory and consultant services, and promote best practices and quality assurance through voluntary peer reviews. This broad-based effort—which involves many SAIs, INTOSAI's regional organizations, and the INTOSAI Development Initiative—will help INTOSAI brace itself for the challenges of the new millennium.

Goal 3 promotes cooperation and collaboration between SAIs and their continuous improvement through knowledge sharing, including benchmarking, best practice studies, and research. In cooperation with the SAI of India, an INTOSAI communications policy and online collaboration tool is being elaborated to further INTOSAI's modernization.

Goal 4 calls for INTOSAI to become a model international organization. Through ongoing interaction and consultation, the Finance and Administration Committee, chaired by the SAI of Saudi Arabia, spearheaded a reform of INTOSAI's finances. With a view to long-term sustainability of INTOSAI's finances, the General Secretariat followed up on and immediately implemented a number of valuable recommendations the committee made on areas such as debt management, the conversion of its accounting system to the euro, and the streamlining of its accounting procedures. As befits a model international organization, INTOSAI can take pride in the sound manage-

ment of its own business matters. To respond to its need for modern communications, INTOSAI is giving a thorough facelift to its Web site, which will be relaunched shortly.

The Human Factor

A director of strategic planning was appointed to implement INTOSAI's strategic plan. Mr. Klaus Henning Busse, from the SAI of Germany, started to work at the General Secretariat in Vienna in January 2006. Our working relations have been excellent on both the professional and personal levels and have been carried out in a spirit of constructive cooperation. His mandate is to translate the strategic plan's ambitious goals into reality while trying to adopt a streamlined and target-driven approach to INTOSAI's divergent systems, multilayered structures, and varied settings. Mr. Busse reports directly to me and consults with me on a regular basis. He has been interacting closely with the committees, working groups, task forces, and regional working groups on an ongoing basis. Recently, he sent to the regional working groups a questionnaire on their progress in implementing the strategic plan in the different INTOSAI regions and on measures and programs they have already adopted.

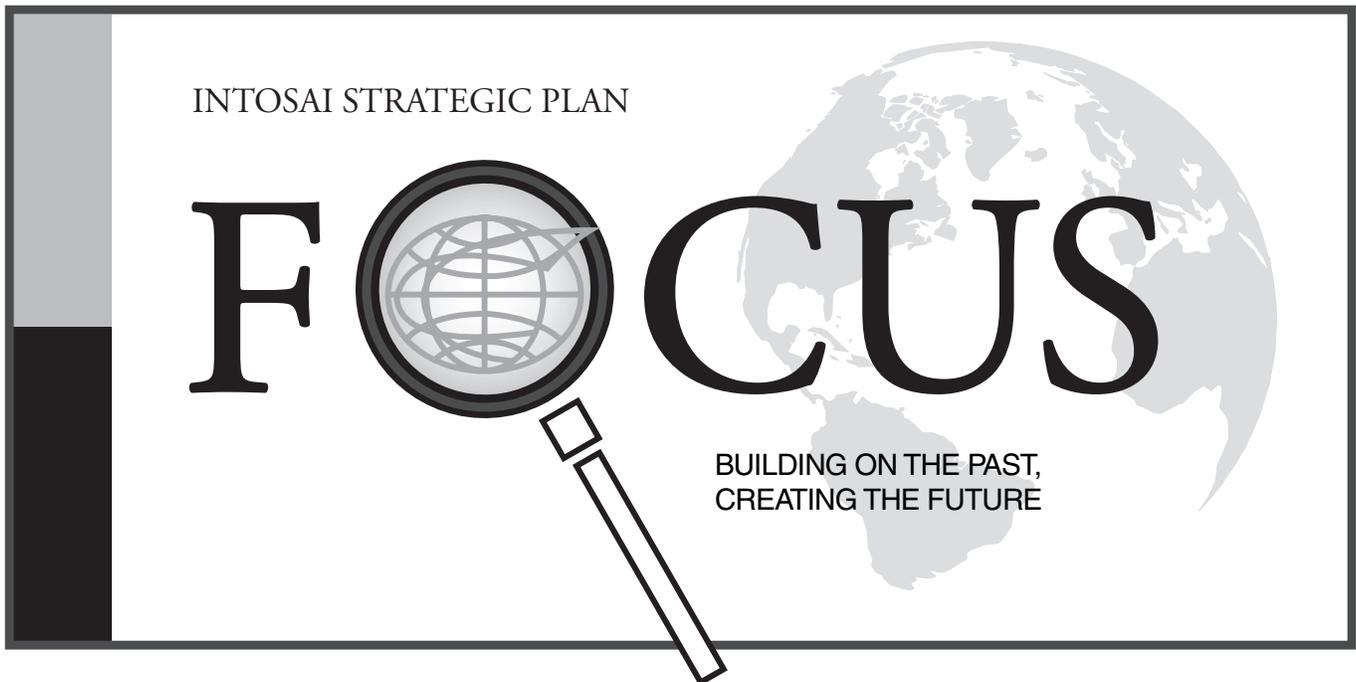
Recent Highlights and a Vision for the Future

The INTOSAI Tsunami Initiative is a shining example of INTOSAI's new spirit. In the wake of the tsunami disaster in December 2004, the General Secretariat and the SAI of the Netherlands undertook this initiative, which was favorably received by the SAIs of major donor and recipient countries and international stakeholders. The initiative led to the establishment of the INTOSAI Task Force on Accountability and Audit of Disaster-Related Aid and to the organization of the International Symposium on Strengthening Global Government Audit: The Contribution of the International Organization of Supreme Audit Institutions, as illustrated by the Audit of Tsunami Relief Funds. The symposium promoted government audit and, in particular, the global activity of INTOSAI, using the audit of tsunami relief funds as an example. This 1-day event, hosted in the prestigious Austrian Parliament building, drew a large and high-ranking international audience to Vienna. The symposium participants adopted the Vienna Declaration, which contains recommendations to ensure that public funds the state manages in trust for its citizens are used for designated aid projects in a transparent, efficient, and effective manner. The symposium was a groundbreaking event that enhanced the accountability for and audit of disaster-related aid. Major stakeholders—such as the European Commission, the United Nations, and the World Bank—pledged their continued support to the initiative and signaled a readiness to fund external INTOSAI projects. A brochure published after the symposium compiles national and international experiences in auditing disaster-related aid and reflects the excellent international cooperation between government audit institutions. The SAI of Austria and the General Secretariat took pride in hosting such an outstanding event, which set an example for future INTOSAI activities.

INTOSAI has also undertaken a visionary project focused on auditor training and continued education that relates to its goals of knowledge sharing and capacity building. In a joint venture with the Executive Academy of the Vienna University of Economics and Business Administration, the Austrian SAI has developed a postgraduate program in public auditing that started in March 2006. This master of business administration (MBA) program will provide a forum for a fruitful interchange on key issues of auditing, sound financial management, and government accountability. The curriculum will cover comparative analyses of auditing and accounting standards and guidelines from different international bodies, including the European Union, the International Federation of Accountants, the Institute of Internal Auditors, as well as INTOSAI. In this way, INTOSAI standards will enter the academic world. In a further step, the Vienna University of Economics is planning to follow up on my suggestion and extend the MBA program to a university-level International Centre of Excellence for public auditing based in Vienna.

Looking Ahead

Never before has the pace of activities between INTOSAI's triennial congresses been more dynamic than it is at present, and I am grateful to have had the opportunity to actively shape our organization's development. INTOSAI is already gearing up for its next congress, to be hosted in late 2007 by the SAI of Mexico. Preparations for this event are in full swing, and the General Secretariat is actively coordinating with the incoming host. With the combination of relevant congress themes, excellent cooperation between the SAI of Mexico and the General Secretariat, and a highly committed team, the 19th INCOSAI promises to be a showcase event that will testify to the new strength of this organization. By combining our efforts and translating vision and values into concrete action, we can—in a spirit of renewal, inclusiveness, and sharing—make a real difference and realize INTOSAI's motto: *Experientia Mutua Omnibus Prodest*.



Professional Standards Committee Advances Goal 1

The Steering Committee of INTOSAI's Professional Standards Committee (PSC) met in Cameroon on September 5–6, 2006, to prepare a survey on the application of international professional auditing standards and guidelines among SAIs. The survey is part of the PSC's own strategic plan and will provide the basis for formulating the PSC's new mandate for 2007–2010. The survey will focus on identifying areas where existing standards and guidelines do not meet the needs of SAIs, and areas relevant to SAIs where no guidance yet exists. In this effort, the PSC's aim is to build on the work of other standard-setting organizations around the world. The survey will be sent to all SAIs through electronic and ordinary mail in November and December 2006.

The steering committee previewed the draft Framework of INTOSAI Professional Standards that will be presented to the Governing Board in November 2006 and then circulated as an exposure draft with the survey. The framework is intended to provide a better overview of existing INTOSAI guidance material. A draft electronic version is now available at www.issai.org.

Other committee news discussed at the meeting includes the following:

- The Subcommittee on SAI Independence developed a draft Charter on SAI Independence that will be presented to the Governing Board in November and then circulated to INTOSAI members as an exposure draft.

- The Financial Audit Guidelines Subcommittee (FAS), in collaboration with some of the world's leading experts, is preparing practice notes to International Standards on Auditing (ISA) under the leadership of the Swedish SAI. For additional FAS information, see “Inside INTOSAI.”
- A Compliance Audit Reference Group has been established to coordinate the work of FAS and the Compliance Audit Subcommittee.
- In the first meeting of the Subcommittee on Performance Audit Guidelines, held in Brasilia on August 8–9, terms of reference and a work plan to meet the requirements of its mandate were agreed upon. See “Inside INTOSAI” for additional information on the subcommittee.
- The PSC is launching a project, chaired by the SAI of France, to collect examples of best practices in transparency and accountability. All SAIs are invited to contribute examples.

The Yaoundé meeting was generously hosted by the SAI of Cameroon, under the leadership of the auditor general, Siegfried David Etame Massoma. The next meeting will take place on April 23–24, 2007, in Bahrain. For further information about the PSC and its work, please visit its Web site: <http://psc.rigsrevisionen.dk/>.

November Governing Board to Focus on Strategic Plan Implementation

The results of the Governing Board's deliberations on a wide variety of strategic plan implementation issues—including financial, membership, and communications issues—will be presented in “Spotlight on the Strategic Plan” in the January 2007 issue of the *Journal*.

NEWS

IN *brief*

Afghanistan

Audit Journal Published

The Control and Audit Office of Afghanistan (CAO) has published its *Audit Journal*. The new journal focuses on corruption in government and methods to prevent it.

For additional information or to obtain a copy, contact the Control and Audit Office:

Fax: ++93 0 20 210 2285
E-mail: auditoffice_afghanistan@yahoo.com

Australia

ANAO Newsletter

The Australian National Audit Office (ANAO) recently began to publish a newsletter entitled *AuditFOCUS* that disseminates lessons learned and issues arising from its audit work. The newsletter is widely circulated among senior managers in the Australian public sector and the chairs of audit committees of all Australian government organizations. The newsletter is to be issued three times a year and is available on the ANAO Web site.

A recent article identifies the following key factors for successful project management: preparing a comprehensive business case, undertaking a formal risk assessment, identifying and committing internal and external resource requirements, and establishing and communicating governance arrangements. The article also discusses contract management, underlining the importance of establishing performance measures, using standard templates or clauses for contracts, and providing contract assistance and guidance for managers. Other topics the newsletter has covered include compliance with the public sector financial framework, maintenance of proper records, information technology issues, and management of conflicts of interest.

For additional information, contact the ANAO:

Fax: ++61 (2) 62 03 77 77,
62 73 53 55
E-mail: ag1@anao.gov.au
Web site: www.anao.gov.au

Canada

Audit of Environmental and Sustainable Development Issues

The Office of the Auditor General (OAG) of Canada recently developed and launched a practice guide on auditing environmental and sustainable development issues. The OAG has a strong mandate to conduct audits in this area. In 1995, amendments to the OAG legislation created the position of commissioner of the environment and sustainable development and added the “4th E”—the environment—to the OAG’s mandate for auditing economy, efficiency, and effectiveness. The OAG is now required to report significant instances of money spent for federal government operations without due regard to environmental effects and sustainable development. The guide is one of the OAG’s initiatives to provide its auditors with the support and tools they need to address these important yet challenging issues.

“In the past few years, we have come to recognize that we needed some further steps to ensure that the environmental consequences of the federal government’s activities are considered *systematically* as we plan and conduct our audits,” said Assistant Auditor General Richard Smith. “In particular, we recognized the need to more actively engage and support audit teams across the office, above and beyond the commissioner’s environmental team.”

The new guide, entitled the *4th E Practice Guide*, was launched in spring 2006. It is designed to help auditors who lack environmental expertise to identify and assess the risks of environmental consequences through the systematic use of screening tools, checklists, and other resources. The

guide is used during long-range audit planning and also when teams are involved in the detailed scoping of issues as part of the planning phase of their performance audits.

In 2004, the OAG created a full-time position dedicated to helping auditors apply the new guidance, and more attention is being paid to increasing auditors’ awareness of environmental and sustainable development issues and providing related training. Existing courses in this field were revamped in 2005, and a course to provide hands-on training in the new guide’s methodology was piloted in September 2006.

Annual Report on the Environment and Sustainable Development

The *2006 Report of the Commissioner of the Environment and Sustainable Development* was tabled in Parliament on September 28. The report deals with climate change, the reduction of greenhouse gases emitted during energy production and consumption, environmental petitions, and the progress 21 departments and agencies have made toward meeting the commitments in their sustainable development strategies.

A summary of the report is available on the OAG Web site.

For additional information contact the OAG:

Fax: ++1 (613) 941-8286
E-mail: communications@oag-bvg.gc.ca
Web site: www.oag-bvg.gc.ca

Fiji

Audit Legislation Amended

In February 2006, the Fiji Parliament enacted the Audit (Amendment) Act, which amends and adds new provisions to the Audit Act of 1969. The new legislation widens the scope of entities to be audited and specifies the procedures to be used in the auditor general’s work. It also deletes certain provisions of the Audit Act to reflect changes in the government’s financial management. In 2004, provisions of the Financial Management Act (FMA)—which provides the legislative framework to support financial management reform—enhanced the powers of the auditor general by requiring him to include all government financial statements and the reports of all government entities in his audit report to the speaker of the House of Representatives.

The Audit (Amendment) Act extends the scope of the auditor general’s audits to those government entities specified under the Public Enterprise Act, which include government commercial companies (such as Airports Fiji Limited), commercial statutory authorities (such as the Fiji Meat Industry Board), and agencies the FMA specified as off-budget state entities (such as the Fiji Development Bank). The act also empowers the auditor general to conduct performance audits of government entities. Performance audits may also be conducted on operations or activities of a state entity or across entities.

Under the Audit (Amendment) Act, the auditor general may obtain legal advice from sources other than state solicitors. This is necessary because some public officers implicated in financial mismanagement in audit

reports refer their cases to the same state solicitors. Previously, the auditor general had sought legal assistance from the private sector.

The act also allows information obtained from audits to be shared with the Fiji police force. While this was a common practice when audit findings revealed fraudulent activities, this provision formalizes the process, thus helping to reduce corruption in public service. Cases referred to the police have been endorsed by state solicitors.

When a serious irregularity is identified, the Audit (Amendment) Act requires the auditor general to (1) notify the minister for finance, the responsible authority/entity, and the minister responsible for the entity and (2) encourage the two ministers to take corrective measures. Previously, the chief executive officer or head of department was informed; it was his/her responsibility to inform the relevant minister, and the minister of finance was not informed.

The Audit (Amendment) Act specifies the time frames within which the auditor general should report to Parliament: audit reports should be submitted within 9 months of the end of the financial year and special investigations, within 6 months of their completion. However, neither the act nor the FMA requires the Ministry of Finance and ministries and departments to submit accounts within a reasonable time to the auditor general. This may affect the auditor general's ability to comply with these time frames.

Several provisions of the act formalize existing processes and procedures of the Office of the Auditor General (OAG), including the outsourcing of audits, the appointment of an auditor by the speaker of the House of Representatives to audit the OAG's

accounts; the setting of fees; the review of audits exempted from the auditor general's mandate; and the application of the Audit Act to financial transactions, balances, acts, and omissions outside of Fiji.

The amendments and new provisions in the Audit (Amendment) Act have enormous implications for the OAG. Currently, the OAG lacks the capacity to undertake the additional work required. The audits of government commercial companies, commercial statutory authorities, and off-budget entities are being contracted out for 3 to 5 years while the OAG staff are exposed to and trained in the audits. When OAG staff develop proficiency in these audits, the OAG may perform the audits on its own. However, even if the OAG had the required expertise, some of the audits would still have to be contracted out since they need to be completed at the same time as the audits of state entities. All but one of the government entities have a December 31 financial year-end; therefore, audit services must be provided at the same time each year to meet the requirements of the entity boards and Parliament.

Furthermore, the FMA requires all state entities, including ministries and departments, to adopt accrual accounting and consolidate the accounts of all government entities in 2008, and the Environment Management Act 2005 requires the auditor general to conduct environmental audits. All these responsibilities will require considerable additional resources for the OAG.

For additional information, contact the OAG:

Fax: ++679 330 44 34
E-mail: evatuloka@connect.com.fj
Web site: www.oag.gov.fj

Iraq

Training in Audit of Privatization

Two teams of staff from the Supreme Board of Audit of Iraq attended training seminars in Amman, Jordan, on the audit of privatization. Twenty participants attended the first seminar, which was held April 23–May 4, 2006; 10 participants attended the second seminar (a train-the-trainers workshop), which was held May 7–June 1, 2006. The seminars were held in coordination with the Jordanian SAI and were part of a US\$4.8 million grant from the United Nations Development Programme. Additional audit and oversight training programs are being planned under the grant.

For additional information, contact the Supreme Board of Audit:

Fax: ++9 647 901 312 492
E-mail: bsairaq2@yahoo.com

Malawi

Audit Office Web Site Launched

In August 2006, the National Audit Office of Malawi (NAO) launched its Web site at www.nao.mw. The Web site was developed as part of an institutional cooperation project with the Swedish National Audit Office. The project was cofinanced by Norway and Sweden.

The aim of the Web site is to increase awareness and knowledge about the important role the NAO plays in promoting good governance, transparency, accountability, and sound financial management in the Malawi public sector.

The NAO Web site includes information on the role and responsibilities of the NAO, legislation, audit guidance, NAO strategies and plans, NAO reports, information on the institutional cooperation project, as well as links to cooperating partners.

For additional information, contact the NAO:

Timothy Mponela, project manager,
e-mail: tmponela@gmail.com
Einar Gorrissen, long-term advisor,
e-mail: enar.gorrissen@gmail.com

Malaysia

Death of Former Auditor-General

Tan Sri Ahmad Noordin Zakaria, the former auditor-general of Malaysia (1976–1986) passed away in June 2006.

During his service as the auditor-general, Tan Sri Ahmad Noordin was actively involved in ASOSAI, serving as its secretary general for 6 years, from 1981 until 1986. Malaysians considered him a towering figure in public service for his contributions to public accountability. His comprehensive reports as auditor-general had a great impact on society. His work included the tightening of the Official Secrets Act, the Bumiputra Malaysia Finance (BMF) scandal, and Election Watch in Malaysia. His name was synonymous with transparency, integrity, and accountability.



Tan Sri Ahmad Noordin

For promoting public accountability and integrity, Tan Sri Ahmad Noordin received several awards, including the Ramon Magsaysay Award (1985), the Tun Razak Award (1986), and the National Integrity Gold Award (2000) from Transparency International, Malaysia.

National Audit Department Receives MS ISO 9001: 2000 Certificate

In June 2006, the National Audit Department (NAD) of Malaysia was awarded the MS ISO 9001: 2000 Certification for the Financial Audit of the Federal Government and Federal Statutory Bodies. The Director General of the Malaysian Administrative Modernization and Management Planning Unit (MAMPU) presented the certificate to the Auditor-General of Malaysia, Tan Sri Dato' Setia Ambrin bin Buang. This internationally recognized certification assures auditees and stakeholders of the quality of the financial audits the NAD carries out. The NAD is now in the final stages of obtaining the same certification for the financial statements of state governments, state statutory

bodies, state local authorities, and the Islamic Religious Council.

For additional information, contact the NAD:

Fax: ++60 (3) 88 88 97 03
E-mail: jbaudit@audit.gov.my
Web site: www.audit.gov.my

Malta

Midyear Report on 2005 Public Accounts

The National Audit Office of Malta issued its midyear report on public accounts for 2005. This report complements its annual report and includes audit findings for the financial and compliance audits of central government ministries and departments and noncentral public entities for the financial year ending December 31, 2005, that were completed by June 2006.

The report identifies areas of concern that include outstanding amounts due to the government for Social Security contributions, a lack of documentation and an audit trail in public debt budgeting, insufficient controls over attendance and overtime records in a number of government departments, weakness in stock control procedures, the unauthorized use of government-owned vehicles, and a lack of full compliance with International Financial Reporting Standards by a number of public entities. The report also identifies issues related to the management of European Union funds.

Performance Audit of Job-Matching Services

The NAO issued a report on the effectiveness of the job-matching services the Employment and Training Corporation (ETC) provides to job

seekers and employers. It presents the results of a survey that targeted private and public sector employers who used these services from September 2004 to August 2005. While over 70 percent of respondents stated that the ETC provided improved job-matching services, the majority also stated that the ETC needs to screen job seekers more effectively. The report also notes problems with ETC courses aimed at providing training for registrants who are most at risk of remaining unemployed.

The report described initiatives designed to implement a new information system and improve the way employers are informed of job-matching results. It recommends ways to address the issues raised and encouraged further improvements to the management and delivery of ETC's processes and services.

Performance Audit of the Tax Compliance Unit

The NAO issued a report on its performance audit of the Tax Compliance Unit (TCU), which was established to further the government's overall fiscal policy by increasing tax revenues through better enforcement. The TCU employs professional staff and has a comprehensive data warehouse to support its investigative work. However, the NAO's report notes that the TCU has fewer staff than was originally envisaged and that tax revenue departments were not fully utilizing the data warehouse to examine those taxpayers who posed the highest risk to tax collection. In addition, lack of general direction from the TCU's strategy and policy management board has weakened communication and coordination between the various tax collecting authorities.

Given adequate support from its board and more cooperation from the tax collecting departments, the TCU will be better able to promote the government's fiscal objectives and help to instill a culture of tax compliance.

For additional information on these three reports, contact the NAO:

Fax: ++356 21 22 07 08
E-mail: joseph.g.galea@gov.mt
Web site: www.nao.gov.mt

Nepal

Report of Auditor General

The report of the auditor general of Nepal for 2002, 2003, 2004, and 2005 was tabled in the Parliament after the Nepali House of Representatives, which was dissolved in 2002, was reinstated through the people's movement in May 2006 and Parliament reconstituted the Public Account Committee. The activation of the committee and its discussions on the observations of the auditor general's report will help to enhance financial accountability in Nepal.

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

Fax: ++977-1-4662798
E-mail: oagnep@ntc.net.np,
infoag@most.gov.np
Web site: www.oagnep.gov.np

Senegal

New Auditor General

Nafi Ngom Keita has been appointed as the new head of the SAI of Senegal. Mrs. Keita is a recent graduate of the Canadian International Fellowship Program (International Assistance Program for Improved Governance and Accountability). During her fellowship

in Canada, Mrs. Keita participated on a team that worked on value-for-money auditing in health and social services areas. Her special project focused on the primary health services sector.

For additional information, contact the Court of Audit of Senegal:

Fax: ++221 849 43 62
E-mail: cocomptes@courdescomptes.sn
Web site: www.courdescomptes.sn

Sweden

New Auditor General



Karin Lindell

Karin Lindell took office as auditor general on August 1, 2006, replacing the departing auditor general, Kjell Larsson. Ms. Lindell is a lawyer who has served as a judge. Before her appointment as auditor general, she was consumer ombudsman and director-general of the Swedish Consumer Agency. She also served as the president of the Swedish National Board for Consumer Complaints. Between 1982 and 1996, she worked at the Riksdag (Swedish Parliament) as secretary to the Standing Committee on Social Insurance and the Standing Committee on Civil Law. Ms. Lindell

also led several government inquiries, served as a member of the board of directors of the Swedish Financial Supervisory Authority and the Swedish National Food Administration, and chaired the board of Gotland University.

For additional information, contact the Swedish National Audit Office:

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Trinidad and Tobago

New Auditor General Appointed



Sharman Ottley

Sharman Ottley has been selected as the new auditor general of Trinidad and Tobago, succeeding Joycelyn Thompson after her retirement. Between 1983 and 2005, Mrs. Ottley served as the assistant auditor general. In this capacity, she performed various functions, at times acting as the head of different divisions responsible for the auditing of accounts. Mrs. Ottley has been active in CAROSAI, serving as its administrative officer and presenting

financial reports and projected budgets for CAROSAI.

For additional information contact the Auditor General's Department:

Fax: ++1 (868) 625 53 54
E-mail: csai@opus.co.tt
Web site: www.auditorgeneral.gov.tt

Tuvalu

New Auditor General

Isaako K. Kine was appointed to be the new auditor general in May 2005. The office is currently recruiting an adviser to the auditor general through AUSAid, the Australian government's overseas aid program. The adviser is to begin work no later than November 2006. This position will be funded under a multilateral program with Australia.

The former auditor general, Lotoala Metia, left office in September 2004 to run for public office, but was not elected. In the 2006 general election, he won a seat and was named minister for finance in August 2006.

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

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Vietnam

New Auditor General of Vietnam

In June 2006, the Vietnam National Assembly elected Vuong Dinh Hue as the new auditor general of Vietnam, succeeding Do Binh Duong, who retired from the position. Dr. Vuong was the deputy auditor general of Vietnam from 2001 to 2006. From 1999 to 2001, he was the vice headmaster of Vietnam's University of Finance and

Accounting. He also served as vice chairman of the Vietnam Association of Auditing and Accounting. Dr. Vuong holds a bachelor's degree in finance and accounting and a doctorate in economics from Bratislava University of Economics.

For additional information, contact the Office of the State Audit:

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Web site: www.kiemtoannn.gov.vn



Source: NOAA Photo Library, California Seismic Safety Commission, U.S. Geological Survey, FEMA, PhotoAlto, Photodisc.

Disaster-Related Aid: International Symposium on Auditing Tsunami Relief Funds

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

editor's note

Following the tsunami disaster of December 2004, INTOSAI established the Task Force on Accountability and Audit of Disaster-Related Aid. The aim of the task force is to enhance accountability for and transparency of disaster-related assistance by establishing an audit trail for tsunami-related aid and formulating best practices for SAIs and other stakeholders to establish an audit strategy prior to a disaster. This article summarizes a recent international symposium on INTOSAI's contributions to the audit of tsunami relief funds. The second article describes the use of geographical information for planning, monitoring, and auditing disaster-related aid flows.

On June 20, 2006, the Austrian Court of Audit and INTOSAI Secretariat hosted the International Symposium on Strengthening Global Government Audit: The Contribution of the International Organization of Supreme Audit Institutions as Illustrated by the Audit of Tsunami Relief Funds. The conference, which was held in the Austrian Parliament building in Vienna, drew delegates from 24 countries as well as participants and observers from SAIs, the United Nations, the World Bank, the European Parliament, the European Commission, the European Court of Audit, the Austrian government, and academia.

Opening Ceremony

Various dignitaries welcomed the delegates to the symposium. The President of the Republic of Austria, Heinz Fischer, and the Vice Mayor of Vienna, Grete Laska, sponsored two receptions, and Dr. Andreas Kohl, the Speaker of the Austrian Parliament, opened the symposium. In his opening address, Dr. Josef Moser, President of the Austrian Court of Audit and Secretary General of the INTOSAI, thanked Dr. Kohl for his support and thanked the participants, including the INTOSAI colleagues, for their dedicated commitment.

Dr. Moser described the background that led to the symposium—the earthquake and tsunami of 2004 and the unprecedented response to the disaster; INTOSAI's tsunami initiative, launched in January 2005, to provide assurance to the victims and major donor countries that aid funds were being properly managed and used for intended purposes; and the establishment of the INTOSAI Task Force on Accountability and Audit of Disaster-related Aid (tsunami task force) in November 2005. Dr. Moser described the purpose of the symposium as sharing and disseminating information on the new challenges facing government audit institutions and the milestones that INTOSAI has set for the accountability and audit of disaster-related aid.

The symposium's central theme was addressed in five broad categories: the importance of global cooperation, challenges to monitoring and evaluating relief and reconstruction initiatives, the INTOSAI tsunami initiative, lessons learned, and best practices.

Importance of Global Cooperation

A number of symposium participants described how the accelerating pace of globalization in the 21st century is transforming the traditional role of the SAIs in government

audit. Specifically, they noted that SAIs are facing reforms in public administration resulting from a changed perception of the role of the state and the increasingly international implications of government audit issues. The participants generally agreed that SAIs and supranational audit institutions must cooperate as they become subject to projects that require joint, multinational audit arrangements.

Gerard McGovern from the European Commission reported that with pledges from 25 member states, the commission had offered more than 2 billion euros in grant assistance and was managing 473 million euros of this assistance. In December 2005, representatives of several countries affected by the tsunami as well as representatives of the European Commission and the Council of the European Union, the United Nations, the World Bank, and European nongovernmental organizations (NGO) met for a high-level review of the European Union's humanitarian and reconstruction aid efforts. They found that additional efforts were needed to ensure stronger coordination between multilateral and bilateral organizations that respond to disasters; the quality of leadership at all authority levels of the affected countries made a major difference in aid response; donors should minimize burdens on local actors without undermining accountability; and a clear donor communication strategy is needed to manage expectations.

Dr. Shabir Cheema from the United Nations noted that INTOSAI has grown into an essential instrument of public governance on a global level. He also described the UN's disaster-related auditing activities as follows:

- The UN's Panel of Auditors plans to issue a report by December 2006 on the audit of tsunami relief funds. This report will compile individual audit reports by agency and will include lessons learned and recommendations for improvement.
- The UN Board of Auditors is coordinating a comprehensive review of UN system-wide disaster-related aid activities.
- A Tsunami Evaluation Coalition has been formed. It consists of 50 members, including UN agencies, NGOs, and the Red Cross/Red Crescent International Committee. This coalition, which is funded by donors, conducts agency-specific evaluations and joint thematic evaluations.
- The UN Office of Internal Oversight Services has been closely involved in the oversight of humanitarian efforts in the aftermath of the tsunami disaster and coordinates its activities with the Board of Auditors.

Monitoring and Evaluation of Relief and Reconstruction Initiatives

Magistrate Anton Mair of Austria's Ministry of Foreign Affairs discussed his government's experience in monitoring and evaluating relief and reconstruction initiatives financed by the Austrian Development Cooperation. Following his presentation, Dr. Alfred Finz, Secretary of State in Austria's Ministry of Finance, discussed the funding of Austrian disaster-related aid and audit mechanisms.

Dr. Josef Isensee, a professor of public law from Germany, discussed the challenges facing government audits where cross-border funding is involved. He noted that donor countries' SAIs face a barrier in international law—territorial sovereignty—because the funds are being expended outside the sovereign limits of those countries. In such situations, an audit institution cannot impose its own national law and standards; rather, it must respect the unique characteristics of the organization being audited. He stated that this area is so new that no legal framework or established practice exists to guide auditors. He stressed that the more difficult the control problems are in a target location, the greater the need for the donor country to establish preventive measures. According to Dr. Isensee, national law expects auditors to apply their intuition, imagination, wisdom, gut instinct, and—above all—alertness and vigilance to recognize deception and ensure regularity and rationality in the use of funds.

INTOSAI Tsunami Initiative

Dr. Arpád Kovács, the auditor general of Hungary and chair of the INTOSAI Governing Board, cited the tsunami initiative as an example of how INTOSAI's strategic plan for 2005 to 2010 is being translated into concrete action. Specifically, he reported approaching the SAIs of the countries most severely affected by the disaster, as well as the major donor countries, to set up a joint international platform to pool capacities and technical expertise in international government audit. Subsequently, delegates participating in the International Conference on Promoting Financial Accountability in Managing Funds, cohosted by the SAI of Indonesia and the Asian Development Bank, endorsed the INTOSAI initiative in April 2005. This led to the establishment of the INTOSAI tsunami task force.

Dr. Hubert Weber, president of the European Court of Auditors, expressed his support for INTOSAI and discussed the court's role in auditing disaster-related aid, including its participation in the INTOSAI tsunami task force. He identified a study that the court had just completed on the European Commission's humanitarian aid response to the tsunami,¹ which is available on the court's Web site (www.eca.eu.int).

Saskia Stuiveling, chair of the INTOSAI tsunami task force, reported on the task force's activities. It currently comprises representatives of 17 SAIs (Austria, Australia, Denmark, France, Indonesia, Japan, Kenya, Korea, Malaysia, Netherlands, Norway, the Philippines, South Africa, Sri Lanka, Sweden, the United Kingdom, and the United States) and the European Court of Auditors. Its aim is to establish an audit trail for tsunami aid and then, based on lessons learned, to establish a potential audit trail for future disaster-related aid and formulate guidelines for SAIs.

The chair is assisted by two vice-chairs: the SAI of Indonesia, which is responsible for identifying lessons learned and shared, and the SAI of Korea, which is responsible for transforming these lessons into guidelines and best practices. The exchange of information will be facilitated through meetings and the Web site the task force established

¹ *Special Report No 3/2006 Concerning the European Commission Humanitarian Aid Response to the Tsunami Together with the Commission's Replies* (European Court of Auditors: 2006/C 170/01).

(www.intosai-tsunami.org). The task force plans to present its interim report at the INTOSAI Governing Board meeting in November 2006 and at the 19th INCOSAI in 2007.

Dr. Anwar Nasution, chairman of the Audit Board of Indonesia and vice-chair of the INTOSAI tsunami task force, reported on the activities of the BPK, the SAI of Indonesia. He estimated that donor aid for the rehabilitation and construction of the tsunami-affected regions was US\$6 billion, of which 96 percent came from the international community. The BPK established two teams in 2005 to conduct a financial audit of the relief phase. The audit, completed in April 2006, found many deficiencies, including ineffective coordination and weaknesses in organizational structures, implementation, monitoring, evaluation, and accountability reporting. The BPK also identified a lack of proper accounting systems to record and report the money and logistics coming from local and international donors. Dr. Nasution highlighted the BPK's critical role in the effectiveness of rehabilitation and reconstruction efforts and advocated closer cooperation between various SAIs to exchange experiences, methodology, approaches, and strategy.

Lessons Learned

Recent disasters have prompted SAIs in donor and recipient countries, along with national and multinational institutions, to undertake studies or audits. David Walker, comptroller general of the United States, reported on (1) the findings in recent U.S. Government Accountability Office (GAO) reports on tsunami relief to South Asia and hurricane relief to the U.S. Gulf Coast, (2) the need for governments and SAIs to join together, share their expertise, and develop new approaches and solutions to complex issues, and (3) additional steps that can be taken to ensure that donations are being well spent. He emphasized that from rebuilding Banda Aceh to rebuilding New Orleans, success depends on a strong set of incentives, transparency, and accountability mechanisms. GAO's work, along with studies by other SAIs, has identified the need for detailed national disaster plans as well as measures for rapid government action in case of emergencies. From its preliminary findings and observations, the INTOSAI tsunami task force has identified examples of overall problems with harmonization (e.g., a wide range of definitions, accountability, and audit arrangements), coordination (e.g., international intervention without coordination), and cooperation (e.g., fierce competition among the donor community for funds).

Best Practices

To summarize the symposium's findings, the Austrian Court of Audit and the INTOSAI General Secretariat prepared the Vienna Declaration. The document proposed best practices in three sectors: international coordination; internal controls and governance; and awards of contracts and management and monitoring of aid projects.

For additional information on the symposium, including the papers presented, see the INTOSAI Web site: www.intosai.org, under International Symposium—2006.



Source: NOAA Photo Library, California Seismic Safety Commission, U.S. Geological Survey, FEMA, PhotoAlto, Photodisc.

Disaster-Related Aid: Using Geographic Information in Audits

By Karola Rentenaar, Netherlands Court of Audit, and Jacquelyn Williams-Bridgers, U.S. Government Accountability Office

To audit disaster-related aid efficiently and effectively, an audit trail must be established to track the complex flow of humanitarian aid. Many factors—multiple national and international donors and recipients; the blending and division of aid flows; and a lack of coordination, cooperation, and harmonization—can hinder accountability and lead to waste, competition, fraud, and corruption. In this situation, audits help to ensure that the following questions are answered:

- **Trust:** Has the aid pledged been provided? Has the aid pledged led to appropriate expenditures?
- **Regularity:** Has the aid been spent on the intended purposes?
- **Efficiency:** Has the aid been spent as efficiently as possible?
- **Effectiveness:** Has the aid been spent as effectively as possible?

This article outlines how a geographical information system (GIS)—which combines computer hardware, software, and geographic data to capture, manage, analyze, and display geographically referenced information—can provide the information needed to answer these questions. Such systems are already being used successfully for auditing purposes. Combining geographical information with other information on disaster aid makes it possible to better monitor and track the aid flows and visualize high-risk areas for waste, competition, fraud, and corruption. Visualizing these risks makes it possible to direct the scarce audit capacities of donor and recipient SAIs more efficiently and effectively.

Using Geographic Information for Audit

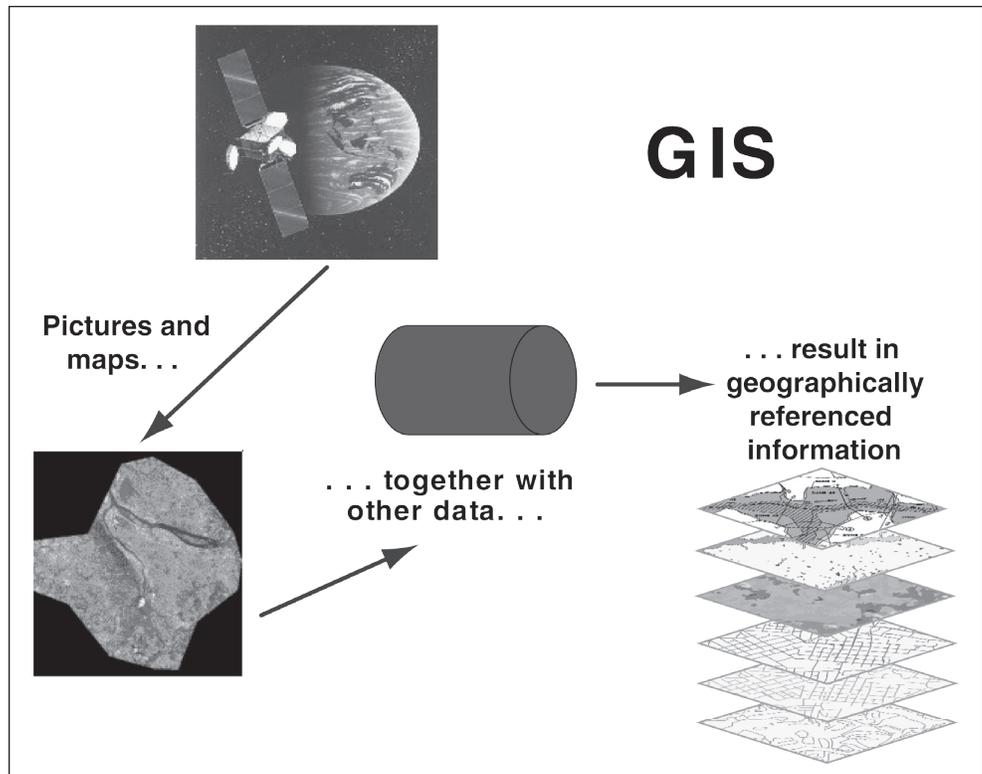
As shown in figure 1, a GIS combines information from a variety of sources (e.g., pictures, maps, and data), links the information to a geographic location, and displays it visually. In a GIS, data are linked to a “geocode”—a geographical code to identify a point or area on the earth’s surface. Most GIS applications work with a digital map. A GIS can also be used in combination with satellite pictures, although this use is not yet common. A GIS portrays important information graphically—the way the human brain works—making connections more obvious than columns of numbers or, at best, colored charts. In this way, a GIS allows a user to see regions, counties, neighborhoods, and the people who live in them with unprecedented clarity. It shows layer upon layer

editor’s note

INTOSAI’s Task Force on Accountability for and Audit of Disaster-Related Aid is searching for a global audit trail for tsunami-related aid by developing strategies for the use of data captured through geographical information systems for planning, monitoring, and auditing disaster-related aid flows. In this article, the authors, both members of the task force, describe the valuable contributions of geographical information systems to this task.

of information—for example, demographic trends, income levels, voting tendencies, poverty rates, pollution levels, epidemics, and Internet accessibility—and how all the layers work together. The user chooses the information to layer based on the questions that must be answered. Thus, the types of information that a GIS can provide are limited only by the imagination.

Figure 1: Components of Geographical Information Systems



GIS applications have been used frequently for audit purposes. The task force found several examples that show how valuable their use can be.

Auditing Housing Subsidies

The City of Portland, Oregon, in the United States, used a GIS to help low-income residents find affordable housing and ensure the availability of housing for a growing population at all income levels. The Office of the City Auditor audited the city's housing programs,¹ collecting data on expenditures and accomplishments from 17 data sets and merging these data with more than 3,500 addresses representing 11,700 housing units receiving city funding. The auditor identified units receiving subsidies from multiple city programs and mapped their

¹ For more information, see www.portlandonline.com/auditor/index.cfm?a=fhee&c=cbbad.

geographic distribution, drawing together information that had not been available previously because city subsidy programs had never been combined in a single audit.

Auditing Eligibility Determinations

U.S. Government Accountability Office (GAO) auditors used GIS techniques to determine that 1,300 communities were not receiving rural housing assistance even though they were located within eligible geographic boundaries and met other criteria. GAO concluded that the U.S. government should change the definition of “rural areas” to better capture communities that are rural in character and to improve determinations of eligibility.

Using a GIS for Disaster Response and Management

A GIS is commonly used for disaster response and management. Plotting the accurate physical geography of a disaster event on a computer and aligning that geography with other relevant features, events, conditions, or threats can speed and facilitate decision making. In the United States, auditors effectively used a GIS to display the paths of destruction caused by Hurricanes Katrina and Rita and their effect on natural gas production, processing, and pipeline infrastructure in several states bordering the Gulf of Mexico. The use of a GIS enabled the auditors to present, in a compellingly visual way, the extensive network of pipelines layered with thousands of gas platforms and layered again with the paths of the hurricanes over time.²

Monitoring Systems for Tsunami-Related Aid

If government-led tools that track aid are accurately populated by governments and implementing partners, they can be essential sources of information on funding, costs, location, and sector impacts. Various monitoring and tracking systems for tsunami-related aid are in place, including the Financial Tracking Service (FTS) of the United Nations Office for Coordination of Humanitarian Affairs (UN OCHA) and the Development Assistance Database (DAD) developed by the United Nations Development Programme (UNDP) and a private company.

FTS is a global, real-time database that records all reported international humanitarian aid. FTS is intended to display the totality, sources, and uses of humanitarian aid globally and for each crisis. It includes a special focus on consolidated and flash appeals³ because they cover major humanitarian crises and because their

² *Natural Gas: Factors Affecting Prices and Potential Impacts on Consumers* (GAO-06-420T, February 13, 2006).

³ A flash appeal is the way that the many agencies responding to a sudden humanitarian crisis coordinate their responses and present a unified set of needs to donors. A flash appeal may be developed into a consolidated appeal if the emergency continues beyond 6 months.

funding requirements are well defined. As a result, FTS can show the extent to which populations in crisis receive humanitarian aid in proportion to needs. UN OCHA manages FTS, using data provided by donors or recipient organizations.⁴

DAD is an online database system that provides access to real-time information on project financing, implementation, and outputs. For governments and donors, DAD provides a customized strategic tool to support coordination, planning, operational management, and reporting of results. Its ability to track resources from programming to output allows for an enhanced monitoring capability and for wider accountability and transparency.

With UNDP support, the governments of Sri Lanka, Maldives, Thailand, and Indonesia have established nationally owned DADs. At the regional level, an information portal and a DAD system have been developed to bring together results and resource allocation data from each country and make it available within a single window.⁵ The strength of the DAD system is that it can be adapted to support national planning and budgeting processes, which increases the likelihood that data will be accurate and the system will be sustained in the future.

When the tsunami struck, these governments had incomplete aid records—often merely memorandums of understanding regarding aid projects. Information systems consisted primarily of paper- or Excel-based data that tracked resources, not results. The government-owned DAD systems are helping to open up the “black box” of aid. DADs help not only to monitor and track aid but also to provide information on the results of projects financed with tsunami aid. By showing where the aid efforts or projects are concentrated, DADs also (1) show areas with a high risk of waste, competition, fraud, and corruption and (2) help identify areas where the needs of affected populations are not fully addressed.

Although FTS and DADs help establish an efficient and effective audit trail of tsunami-related aid, they are *not* audit tools, and they remain works in progress. While they provide great coverage and reliability than were provided in the past, related verification mechanisms are in their infancy.

Challenges Ahead

The implementation of an international, geographical approach to planning, monitoring, and auditing disaster-related aid poses many challenges. Important questions, such as the following, will need to be addressed:

- Should a single, integrated system be developed or should all stakeholders (donors, channels, and implementers) use their own systems?
- If a single system is developed, who should own it?

⁴ For more information, see www.reliefweb.int/fts.

⁵ See www.TsunamiTracking.org.

- If the systems of multiple stakeholders are used, would it be possible to link the information from these systems?
- How can we make sure that the data entered in the system are complete and accurate?
- Should one international, agreed-upon geocode be used, or should every country or region use its own local zip code?
- Can we reach international agreement on standards and definitions?

Conclusions

Using geographical information to audit disaster-related aid holds promise and has already been implemented successfully, as the examples in this article show. Ideally, an international GIS should be developed to help coordinate, plan, and monitor the flow of aid from source to destination in any future disaster. Such a system could facilitate the auditing of aid if all international stakeholders agree on the system's use, consistent standards, and common definitions. Any such agreement should lead to the designation of an international audit label certifying that the holder has spent the aid money in a transparent and traceable way in accordance with specifications of the international agreement. The July 2006 report of the Tsunami Evaluation Coalition⁶ reached similar conclusions.

The INTOSAI task force would like to invite colleagues from other SAIs to provide us with examples of their use of geographic information in auditing disaster-related aid and to help us in developing a methodology for these audits.

For additional information, contact Karola Rentenaar, Netherlands Court of Audit at k.rentenaar@rekenkamer.nl or visit the task force Web site: www.intosai-tsunami.org.

⁶ *Joint Evaluation of the International Response to the Indian Ocean Tsunami: Synthesis Report* (London: July 2006) and *Funding the Tsunami Response* (London: July 2006). Both reports are available at www.tsunami-evaluation.org.

Achieving Public Sector Outcomes with Private Sector Partners – a New Zealand Perspective

By Liz Buttimer, Senior Performance Auditor, Office of the Controller and Auditor-General, New Zealand

In New Zealand, the use of partnering contracts to build new public sector infrastructure and deliver public services is a fairly recent phenomenon.¹ There are, however, signs of increasing interest in this approach, especially in the local government and transport sectors.

Because partnering contracts carry special risks, the Auditor-General of New Zealand decided to act—while this form of contracting was still at an early stage of development—by publishing guidance for public sector leaders and decisionmakers. The guidance does not promote or oppose the use of partnering. Its principal aim is to set out the main issues that government as a whole and individual public organizations need to consider.²

In developing its guidance, the Office of the Controller and Auditor-General (OAG) looked at projects in New Zealand and the experience of countries such as the United Kingdom and Australia, where the partnering approach to public sector contracts is well established.

The OAG initially planned to focus on public-private partnerships (PPP)—that is, arrangements involving private financing from a private-sector party (usually a consortium) to build and own facilities that deliver services, often for more than 30 years. However, in New Zealand it found different types of arrangements, from franchises and joint ventures to PPPs, that require public sector organizations to consider similar issues. Therefore, the OAG widened the scope of its guidance to include all these arrangements.

The first part of the OAG guidance looks at the issues to be considered from a governmentwide perspective. In countries where the use of partnering under long-term contracts and private financing is well established, there is evidence of firm commitment from governments, with cross-party political support, to providing direction and guidance. Three important issues relevant to national governments are leadership, expertise, and market development.

Partnering arrangements require significant investment (in monetary and nonmonetary terms) by both public and private sector parties. The private sector is unlikely to be attracted to investing in major, long-term public sector projects when it sees significant risks from political uncertainty. In the United Kingdom, there is evidence

editor's note

The author is currently on secondment to the New Zealand SAI from the Audit Commission, U.K.

¹ Partnering contracts include any mutually beneficial contractual relationships between public and private sector parties that involve a collaborative approach to achieving public sector outcomes.

² The guidance, *Achieving Public Sector Outcomes with Private Sector Partners*, is available on our Web site, www.oag.govt.nz.

that more private finance initiative³ (PFI) contracts have been entered into when the Treasury has had responsibility for providing direction. In Australia, the State of Victoria set up Partnerships Victoria⁴ to manage the government's approach to PPPs. Partnerships Victoria has produced a clear written policy defining the circumstances in which it supports the use of PPPs.

Public organizations need expertise to implement partnering arrangements successfully. Without expertise, the public organization faces significant risks. The United Kingdom's central government and Australian state governments have set up central resources to help public organizations entering into partnering contracts that involve private financing. Partnerships Victoria has produced extensive guidance on all aspects of the process, from preparing an initial business case to managing the PPP contract after it is awarded. Partnerships UK, a central resource of PPP and PFI experts drawn from the public and private sectors, works with the public sector to provide knowledge and skills.

To ensure a competitive process, enough private sector companies need to take part. If private sector capital investment is required, an assessment of the interest from major national and international financial institutions is also important. Australia created a National PPP Forum to produce a project pipeline—a national database of future projects that private sector companies can use to assess the range of opportunities and plan to submit bids if they are interested.

The second part of the OAG guidance covers the issues individual public organizations need to consider before deciding whether to enter into partnering arrangements.

Public organizations are ultimately accountable for delivering public services and cannot transfer this responsibility to the private sector. It is imperative that a public organization have a sound basis for choosing a partnering approach, managing its implementation and long-term operation, and carrying out its accountability obligations to the public.

Public organizations must prepare a detailed business case to support their decisions. The OAG guidance provides an extensive list of the issues that need to be considered as part of the business case. These include how the partnering arrangement will contribute to the public organization's vision and policy objectives, evidence of senior-level commitment, and sound arrangements for governance and accountability.

It is important to consider whether a partnering arrangement is in the public interest. Public sector policy may dictate that the public sector should directly deliver certain services. Australian state and United Kingdom central governments have identified

³ PFI contracts are defined by HM Treasury as arrangements where “the public sector contracts to purchase quality services, with defined outputs, on a long-term basis from the private sector...including maintaining or constructing the necessary infrastructure.” *Public Private Partnerships: The Government's Approach*, HM Treasury, 2000.

⁴ Partnerships Victoria is part of the Department of Treasury and Finance.

services that are not suitable for PPPs or PFI and should remain with the state. These include core public services, such as clinical services in hospitals and teaching in state schools.

Other public interest issues that need to be considered are requirements for accountability and transparency balanced against the need for commercial confidentiality and the ability to ensure that essential services are continuously provided despite any breaches by the private sector party.

In the early days of PPPs in Australia and PFI in the United Kingdom, the main reason for adopting the approach was to promote the construction of new public infrastructure and achieve “off-balance-sheet” financing. However, the governments of both these countries now stress that the main reason is to achieve better value compared to other contracting choices. A value-for-money assessment considers the benefits of adopting a partnering arrangement against the costs. Value for money does not necessarily mean lowest cost, since several benefits may justify higher costs.

As part of the value-for-money assessment, it is important to consider risk sharing between the parties. Adopting a partnering approach forces the parties to explicitly identify risks and their costs. Risks are likely to be associated with design and construction, operation and maintenance, user demand and income generation, technology and obsolescence, and legislative and political change.

The Australian and United Kingdom governments agree that the party best able to manage risks should bear them. Seeking to transfer inappropriate risks to the private sector party will likely add to the cost of the arrangement.

A value-for-money assessment should also address the scale of the project relative to transaction costs. Many partnering arrangements are complex, and the need for lengthy tendering processes and complex contract documentation can significantly affect costs. These costs need to be assessed against the total value of the project and the benefits that will be derived from a partnering approach. The Australian and United Kingdom governments have provided advice on the monetary value of projects suitable for this contracting approach.

Public organizations also need to consider whole-of-life costs, the potential to release public sector staff to concentrate on key service delivery, greater asset utilization, and the scope for innovation (such as business practice and technology application).

Assessing value for money can be difficult, especially for long-term projects where assumptions must be made. Partnering arrangements in other jurisdictions have been criticized for a tendency to overestimate benefits and underestimate costs.

The public organization needs to be aware that its responsibilities do not end once the contract is awarded. Rather, the public and private sector parties must set up and maintain effective contract management throughout the term of a partnering arrangement. The public organization will have to consider the need for experienced per-

sonnel to manage relationships with the private sector party, service users, and other stakeholders and arrangements for managing performance, risks, assets, payments, and changes to the contract.

Inadequate contract management can increase costs for the public sector party, affecting the financial viability of the project and the value-for-money outcome.

Finally, the public organization will likely need to make a conscious effort to change its culture if it has favored an arm's-length and possibly adversarial approach to contracting. Working in partnership requires the parties to build a long-term relationship of mutual benefit. They need to understand each other's aims and objectives and how to achieve them. They must share problems and work through them together rather than resorting to legal remedies.

For additional information, contact the author at: liz.buttimer@oag.govt.nz.

Audit Profile: Office of the Auditor General of Nepal

Ramesh R. Satyal, Deputy Auditor General

The vision of the Office of the Auditor General of Nepal is to enhance good governance through accountability and transparency in the public sector. Its mission is to provide trustworthy, effective, and independent audit for the efficient management and utilization of public resources.

The Auditor General

Under the provisions of Nepal's 1990 constitution, His Majesty the King appoints the auditor general (AG) based on the recommendation of the constitutional committee, which consists of the prime minister, the chairman of the House of Representatives and the Upper House, the chief justice of the Supreme Court, and the leader of the parliamentary opposition. At present, however, a new interim constitution is being drafted. In May 2006, the Nepalese Parliament issued a proclamation, in the wake of public protests, that all executive rights in Nepal shall rest in the Council of Ministers. Under this provision, the next AG will be appointed not by the king but by the Council of Ministers upon the recommendation of a parliamentary committee.

The AG serves a 6-year term and may be reappointed. A candidate for the post of AG must hold a bachelor's degree from a recognized university and have at least 5 years' work experience as a "special class officer" in the government or more than 15 years' experience in the field of accounting. A candidate should be between the ages of 45 and 65 and should not be a member of a political party.

Independence

Constitutionally, the AG enjoys complete independence. The AG's conditions of service and remuneration cannot be changed during the term of the office, and yearly office budgets are charged directly to the consolidated fund without a parliamentary vote. The AG's tenure can be terminated only if he or she reaches the age of 65, submits a written resignation, dies in office, or is removed as a Supreme Court judge for incompetence, misbehavior, or failure to discharge the duties of office. A two-thirds majority of the House of Representatives must pass a resolution to remove an AG, and the king must approve the resolution.

Despite such independence, the AG is somewhat dependent upon the government to approve the annual budget and create the number of staff positions. The Ministry of Finance makes budgetary allocations, and the AG is required to hire the staff selected and recommended by the Public Service Commission, an independent constitutional body established to handle hiring for public posts.

Rights and Duties of the Auditor General

The 1990 Constitution and the Audit Act of 1991 prescribe the following rights and duties of the AG:

- audit constitutional bodies, all government offices, courts, the Nepali police and army; corporate bodies (public sector undertakings or government business enterprises) fully owned by the government; and other entities required to be audited under the provision of any other law;
- consent to the appointment of the auditor of corporate bodies substantially owned by the government;
- issue directives to government offices and corporate bodies regarding proper arrangements on matters of accounting and maintaining regularity on those matters;
- approve the accounting forms to be maintained by all government offices; and
- submit to His Majesty the King annual reports along with work performed during the year containing observations, comments, and recommendations (the reports are also presented to the Parliament).

In the course of audit, the AG may also exercise the following powers, as necessary:

- examine the status of programs and projects being operated under government grants,
- require government contractors to produce relevant documents and evidence relating to particular contracts, and
- contract with experts for audit services.

Audit Approaches

Nepal's auditing system is based on the Constitution and the Audit Act, which mandate the following three types of audits:

- **Compliance audit:** These audits examine financial transactions in accordance with established principles to determine whether budgetary allocations, financial rules and regulations, and all other accounting requirements have been followed.
- **Performance audit:** These audits consider all aspects of economy, efficiency, and effectiveness—whether resources have been used effectively and efficiently to produce goods and services at minimum cost, in the shortest time, and without reducing quality and quantity.
- **Propriety audit:** These audits determine whether transactions are appropriate from the perspective of economic and social interests based on ordinary prudence and whether, in the opinion of the AG, there have been reckless expenditures or contracts that have resulted in an abuse of national property.

Organization

In addition to the AG, there are 465 staff members in the Office of the Auditor General (OAG). These staff comprise 4 deputy auditors general, 14 assistant auditors general, 42 directors, 144 audit officers, 166 audit superintendents, and 95 support staff. In addition, each year the OAG contracts with about 40-45 professionals from private auditing firms to audit the government's public sector undertakings and hires independent experts as consultants (engineers and economists) to study and advise the OAG on specific performance auditing areas

Reporting

Each year, the OAG's audit work starts after the July 16 closing of the fiscal year. One of the OAG's major functions is issuing an audit report. The OAG's audit findings, observations, and recommendations are reported in the two phases:

- Preliminary audit reports with detailed audit observations are sent to each affected agency after the audit work is completed. Within 35 days of receiving the preliminary report, the affected agency must respond to the OAG. After reviewing the responses, the OAG issues final reports.
- In accordance with constitutional requirements, the AG submits directly to the government of Nepal an annual report that summarizes the individual reports of the OAG's work. The report is tabled in Parliament by the Minister of Finance. This report provides an accurate representation of the government's overall financial management, the AG's findings, and the recommendations to the government. An English version of the summary report is also made available to all interested persons.

Improvement Initiatives

The OAG has received Institutional Development Fund (IDF) grants from the World Bank to promote capacity building and institutional development. From 1995-1997, Government Auditing Standards (GAS) and manuals on areas such as revenue, administrative expenditures, procurement, performance audit, and project audit were developed, and staff were trained in their usage. The office published GAS in 1996, and the manuals are being used. This effort has proved to be a milestone in capacity development for the OAG.

A second IDF grant for 1998-1999 helped the office strengthen its institutional capacity in performance auditing. KPMG, a private international audit firm, was hired to assist in developing a *Performance Audit Guide* (PAG) and tool kit that incorporates best practices. Staff are receiving extensive, ongoing training on the newly developed guide as an integral part of the OAG's capacity-building programs. A twinning arrangement with OAG Malaysia gave senior Nepali officials exposure to and training in Malaysian techniques and practices in performance auditing. The grant has facilitated

the transfer of technology, a methodology, and an approach to handling performance audits. Both auditees and the Public Accounts Committee have been impressed with the new audit methodologies.

In 2001, the government of Nepal formed a high-level National Steering Committee (NSC) to work with the World Bank on a Country Financial Accountability Assessment (CFAA). Various government, donor, and private sector agencies also participated in this joint exercise, which resulted in a widely accepted report issued in 2003. The report section on public sector auditing highlights examples of the OAG's dedicated and fearless reporting and strong partnership with the Public Account Committee; it also states that the "OAG requires support for its capacity development, including a need for introducing modern technology and skills to upgrade its institutional capacity. OAG also needs to further enhance its professional skills in financial auditing as well as performance auditing, which is a yardstick to measure inputs against output and outcome."

The CFAA report validated three important development action plans that the OAG had also identified:

- revising and consolidating existing audit guidelines to comply with International Standards on Auditing and INTOSAI standards,
- strengthening human resource development plans and the training division, and
- promoting exposure training visits and "twinning" with well-developed SAIs for senior officials.

To help the OAG carry out these plans, the World Bank provided another Institutional Development Fund (IDF) grant in 2002. In 2004, KPMG Malaysia was selected as the consultant for the job, and arrangements were made to involve the National Audit Department, Malaysia (NADM), in a twinning and peer review of a pilot audit.

Under this grant, auditing standards were revised to make them easily understandable for other auditors and users of the audit report. Based on a needs analysis and review of the OAG's organizational structure, a human resources plan was developed. The plan contains training toolkits with specific examples of audit tools and methodology, a reporting format, an illustrative annual training calendar, recommended experience and skills for trainers, and a framework to gauge the effectiveness of the training function.

Training and the exposure to other SAIs have proven to be the most effective methods for promoting change and building staff confidence. KPMG coordinated a 4-week twinning arrangement and prepared a detailed program for the secondment of 13 senior staff to the NADM. This arrangement benefited both the Nepalese OAG and the NADM by providing an opportunity for them to understand each other's knowledge and experience. The audit guidelines and the effectiveness of the training program were also tested during the pilot audit the trainees carried out. The pilot audit work was peer reviewed by the Auditor General of Malaysia and his assistant.

With the consultant's help, a Web site was launched to make information about the OAG publicly available. It contains the OAG's mission and vision statement, annual reports for the past 3 years, and other important information of SAI.

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

Fax: ++977-1-4662798

E-mail: oagnep@ntc.net.np, infoag@most.gov.np

Web site: www.oagnep.gov.np

Reports in Print

In July 2006, the National Audit Office (NAO) of the United Kingdom issued a report entitled *International Benchmark of Fraud and Error in Social Security Systems*. This report investigates the issue of fraud and error in the social security systems of eight European and non-European countries. The study describes the different systems studied, assesses the scale and prominence of the problem in a national context, and outlines steps taken to measure and reduce fraud and error. The report concludes that fraud and customer and official errors represent a major risk to the successful delivery of social benefits in the United Kingdom and other countries. A copy of the report is available on the NAO Web site: www.nao.org.uk.

For additional information, contact the NAO:

NAO Press Office
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Road
London, England SW1W 9SP
Fax: ++44 (0)20 7798 7710
E-mail: enquiries@nao.gsi.gov.uk

Brown University has completed its sixth annual global e-government study, during which researchers evaluated 1,782 government Web sites in 198 countries in June and July 2006. The study covered many different types of sites, including executive, legislative, and judicial offices as well as such departments and ministries of the government as health, education, foreign affairs, interior, finance, natural resources, foreign investment, transportation, military, tourism, and telecommunications. The results were issued in an August 2006 report entitled *Global E-Government, 2006*. The Web sites were rated based on two dozen criteria, including disability access, existence of publications and databases, presence of privacy and security policies, contact information, and the number of

online services. Asian countries once again received the highest e-government ratings, taking three of the top five spots. South Korea, ranked 86th last year, earned the top rank, followed by Taiwan, Singapore, the United States, and Canada. The study shows that 29 percent of governments around the world are offering online services, compared to 19 percent in 2005. The full e-government study is online at www.insidepolitics.org. The appendix of the report presents detailed profiles for each of the 198 national governments.

For more information, contact the Center for Public Policy at Brown University:

Telephone: ++(401) 863-1163
E-mail: dwest@insidepolitics.org

According to the ninth global fraud survey from Ernst & Young, many companies still do not have effective antifraud policies in emerging markets. Even though almost half the of the 500 corporate leaders surveyed were anxious about bribery and corruption in emerging markets, 40 percent still had no formal antifraud policy in place. *Fraud Risk in Emerging Markets*, the new report on the survey results, states that since the eighth global fraud survey in 2003, corporations have expended significant resources to assess and improve their internal controls. As a result, corporations believe that they are better positioned to deter and detect fraud than ever before. However, there is little evidence clearly indicating that fraud has been reduced. In fact, one in five of the companies interviewed had experienced significant fraudulent activity in the past 2 years.

Managers in both developed and emerging markets recognize that in new markets, local business practices and behavioral norms may differ from those in the established markets for which current internal control systems were designed. Although senior managers expressed more anxiety about new markets, three-quarters of the fraud

reported by survey respondents had occurred in their developed country operations.

Robust internal controls remain the first line of defense against fraud for companies in all markets. Nearly 90 percent of respondents believed controls were sufficient within their organization to identify and investigate fraud promptly. Half of the respondents stated that they investigate fraud with a desire to identify and improve control weaknesses, marking a dramatic increase from the eighth survey. Most organizations acknowledged that they did not communicate their antifraud stance and policies to agents, intermediaries, and joint venture partners. For up to a quarter of companies' foreign operations, the effectiveness of antifraud programs was limited by poor communication or insufficient training.

To obtain a copy of the survey result and the report, contact Ernst & Young's Fraud Investigation and Dispute Services:

Web site: www.ey.com/fids



Financial Audit Guidelines Subcommittee

New Subcommittee Members

In recent months, two new members joined the Financial Audit Guidelines Subcommittee (FAS)—the SAIs of Brazil and the Republic of Korea. In addition, the SAI of Jordan has become an observer. The other FAS members are Cameroon, Canada, the ECA (European Court of Auditors), Namibia, Norway, Sweden (chair), Tunisia, the United Kingdom, and the United States.

New Experts and Task Forces

The Project Secretariat is currently setting up a Compliance Audit Reference Expert Group to support the Compliance Audit Subcommittee's (CAS) work on developing compliance audit guidelines and to enhance the consistency between the guidelines produced by FAS and CAS.

The Project Secretariat is continuously updating the reference panel files according to the latest information received from the respective SAIs. Approximately 150 experts from some 70 SAIs have now been nominated.

For a complete listing of International Auditing and Assurance Standards Board (IAASB) task forces where INTOSAI experts are involved, as well as practice note task forces, see the FAS Web site.

For additional information, contact the FAS Project Secretariat:

Fax: ++46-8-5171 4111

E-mail: projectsecretariat@riksrevisionen.se

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

Subcommittee on Performance Audit

On August 8-9, 2006, the Brazilian Court of Audit (TCU) hosted the first meeting of the INTOSAI Subcommittee on Performance Audit. The TCU chairs the subcommittee, which is part of INTOSAI's Professional Standards Committee. In addition to Brazil, it has 11 members: the SAIs of Australia, Canada, France, Guyana, Kiribati, Norway, United Kingdom, Saudi Arabia, Sweden, and Tunisia and the European Court of Auditors (ECA). Representatives from the ECA and the SAIs of Australia, Brazil, Canada, Norway, and Saudi Arabia attended this first meeting, which was held in Brasilia. Its main objective was to approve the subcommittee's terms of reference and its 2006–2008 work plan.

In opening the event, Minister Adylson Motta, the President of the Brazilian Court of Audit, welcomed the visitors and emphasized the importance that the court attributes to performance audit and, in particular, to the creation of the Performance Audit Subcommittee.



Participants at the Performance Audit Subcommittee meeting in Brasilia.

The participants briefed the group on the performance audit work their respective SAIs are carrying out, giving special attention to the challenges and benefits inherent in this work. TCU representatives gave a presentation on a recently completed audit of a family grant federal government program; they also informed the other members about the e-learning course on performance audit offered by the TCU's training center. English and Spanish versions of the course are being prepared.

The subcommittee members approved the terms of reference and the 2006–2008 work plan. Both of these will be examined by the steering committee of the INTOSAI Professional Standards Committee and forwarded to the INTOSAI Governing Board.

For additional information, contact the TCU:

Fax: ++55 (61) 3316 - 7522

E-mail: MIN-AM@tcu.gov.br, arint@tcu.gov.br

Web site: www.tcu.gov.br

Working Group on Environmental Auditing

The Office of the Auditor General of Canada hosted the Working Group on Environmental Auditing's (WGEA) fifth steering committee meeting in Vancouver, British Columbia, Canada, September 5–9, 2006. The meeting was very successful and included

many fruitful discussions among the SAIs that were present. The steering committee members revised the first drafts of the following four guidance papers and provided constructive comments:

- movement toward auditing biodiversity, coauthored by the SAI of Brazil and the SAI of Canada;
- cooperation between SAIs on international audits: tips and examples, coauthored by the SAIs of the Netherlands and Poland;
- evolution and trends in environmental auditing, authored by the SAI of Canada; and
- The World Summit on Sustainable Development: experiences of SAIs, authored by the SAI of the United Kingdom.

The two new Web pages, Focus on Auditing Waste Issues and Focus on Auditing Water Issues, have also received the committee's stamp of approval and can be found on the WGEA Web site.

The sixth WGEA steering committee meeting will be held in Nadi, Fiji, the week of February 5, 2007.

Next WGEA Meeting, June 2007

The steering committee has also begun planning the 11th meeting of the WGEA, to be held in Tanzania June 25–29, 2007. Building on the success of the 10th WGEA meeting in Moscow in 2005, this meeting will feature workshops and small group discussions, speakers from external groups and organizations, and presentations from SAIs on pertinent environmental issues. The 11th WGEA meeting will be pivotal to the new 2008–2010 work plan.

For additional information, contact the WGEA:

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

Web site: www.environmental-auditing.org

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.

IDI/ASOSAI Cooperation on Capacity Building

In July/August 2006, IDI collaborated with ASOSAI to deliver a Russian-language workshop, Performance Audit of Revenue Agencies, to audit teams from the SAIs of Azerbaijan, Kazakhstan, Kyrgyzstan, and Mongolia. The event, which lasted for 13 days and was hosted by the SAI of Mongolia, was a component of the IDI-ASOSAI cooperation program for building capacity in newly established SAIs in the region. During the workshop, audit teams developed detailed audit plans on preselected audit topics; these plans were reviewed by an expert and presented to all participants. The targeted SAIs made a commitment to have the participating audit teams conduct audits of revenue agencies within 3 months of completing the workshop and report lessons learned to ASOSAI and IDI.

IDI/ARABOSAI Capacity-Building Program in IT Auditing

The fourth and final pilot information technology (IT) audit scheduled for this program was held in Amman, Jordan, in July 2006. At a 2-week meeting held in Tunisia in September 2006, six new IT audit champions designed an IT Audit Workshop based on case studies and exercises derived from the four pilot audits. The 2-week IT Audit Workshop is scheduled for delivery in December 2006.

IDI/ISCITA E-learning Cooperation Project 2006

As reported in the July *IDI Update*, IDI demonstrated a prototype e-learning course in IT auditing at the meeting of the INTOSAI Standing Committee on IT Audit in Brazil in May 2006. Upon further review of the course after the meeting, IDI decided to incorporate a number of new interactive learning strategies. Since this will require more complex product development procedures, as well as additional real-life case studies from the subject matter experts, course delivery has been postponed to late March/early April 2007.

IDI/AFROSAI-E Strategic Planning Program

In cooperation with AFROSAI-E, IDI is sponsoring and implementing a strategic planning program for the SAIs of Eritrea, the Gambia, Kenya, Mauritius, and Swaziland. The first activity in this program was a 1-week design meeting held in Mauritius in July 2006. IDI staff gathered with subject matter experts and facilitators from the region to design and develop a 1-week workshop on strategic planning. The workshop was held in Kenya in August 2006, with the participation of teams from the targeted SAIs. A review meeting is scheduled to take place in April 2007. At that time, the teams will present a draft of their SAIs' new strategic plans and receive feedback from peers and experts.

Design Meetings in AFROSAI-E

In March 2006, IDI graduated a new group of training specialists in AFROSAI-E. To help these specialists enhance their design skills and respond to the region's needs, IDI arranged two design meetings this year. The first was held in Mauritius in July with the aim of developing courseware for a 5-day workshop entitled Detecting Fraud While Auditing. The second meeting was held in Kenya in August to develop courseware for

a workshop entitled Conducting Quality Assurance Reviews for Financial Audits. The first workshop will be held in Namibia in October 2006, and the second is scheduled for delivery in 2007.

IDI's Liaison with the INTOSAI community

In its ongoing efforts to collaborate with partners in the INTOSAI community, IDI representatives recently attended the following meetings: the EUROSAI Training Committee meeting (Luxembourg), the INTOSAI Professional Standards Steering Committee meeting (Cameroon), the ASOSAI Assembly (China), the OLACEFS Regional Training Committee meeting (Bolivia), and the EUROSAI Governing Board Meeting (Iceland).

Contacting IDI

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

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INTOSAI 2006 - 2007 Events



<p>October</p> <p>16-19 CAROSAI Congress, Nassau, Bahamas</p>	<p>November</p> <p>2-4 55th INTOSAI Governing Board, Mexico City, Mexico</p> <p>7-12 XVI OLACEFS General Assembly, Quito, Ecuador</p> <p>27-29 2006, IV Meeting of the EUROSAI Working Group on IT, Bratislava, Slovak Republic</p>	<p>December</p> <p>1-2 I EUROSAI/ARABOSAI Conference, Tunis, Tunisia</p>
<p>January</p> <p>TBD Internal Control subcommittee meeting Muscat, Oman</p>	<p>February</p> <p>5-9 Working Group on Environmental Auditing Steering Committee meeting, Nadi, Fiji</p>	<p>March</p> <p>3-4 IT Committee Seminar on Performance Auditing, Muscat, Oman</p> <p>6-7 IT Committee meeting, Muscat, Oman</p> <p>21 IDI Board meeting, Oslo, Norway</p> <p>26-30 UN/INTOSAI Symposium, Vienna, Austria</p>
<p>April</p> <p>16-20 6th Meeting of the Committee of Experts on Public Administration, U.N.Economic and Social Council, New York, United States</p> <p>23-24 Steering Committee Meeting of the Professional Standards Committee, Bahrain</p> <p>TBD Financial Auditing Guidelines Subcommittee meeting, Canada</p>	<p>May</p> <p>10-12 V EUROSAI/OLACEFS Seminar, Lisbon, Portugal</p>	<p>June</p> <p>25 Working Group on Environmental Auditing Assembly, Arusha, Tanzania</p> <p>TBD Public Debt Committee meeting, Lisbon, Portugal</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.