

INTOSAI



JOURNAL

INTERNATIONAL
of GOVERNMENT AUDITING



October 2007

October 2007

Vol. 34, No. 4



INTERNATIONAL Journal of GOVERNMENT AUDITING

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

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

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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.

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

Articles in the *Journal* are indexed in the Accountants' Index published by the American Institute of Certified Public Accountants and included in Management Contents. Selected articles are included in abstracts published by Anbar Management Services, Wembley, England, and University Microfilms International, Ann Arbor, Michigan, U.S.A.

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Jørgen Kosmo
Auditor General of Norway

As a fairly new entrant to the INTOSAI community, I feel honored and pleased to be asked to contribute to this *Journal*.

During my time as a member of the Norwegian Parliament, the government approved a policy to increase the use of various forms of budget support to provide development cooperation. Norwegian authorities see the benefits of harmonized donor practices for effective aid delivery and try to work in line with the Paris Declaration,¹ recognizing the strain that the previous system—in which each cooperating partner had its own systems, accounting, and reporting requirements—placed on recipient authorities.

Budget support presents the donor country auditor with challenges that are different from the previous forms of project support. Under budget support, funds from various donors are pooled with the recipient's own funds and are spent and accounted for through the recipient country's systems. The funds from an individual donor can no longer be tracked (or audited) as an individual cash-flow stream or account.

As stated in the Norwegian Auditor General Act of May 7, 2004, my responsibility is to ensure, through auditing, monitoring, and guidance, that the state's revenues are

¹The Paris Declaration, endorsed in March 2005, is an international agreement through which over 100 ministers, heads of agencies, and other senior officials committed their countries and organizations to continuing to increase efforts in harmonization, alignment, and management of aid for results with a set of actions and indicators that can be monitored.

collected as intended and that the state's resources and assets are used and administered in a sound financial manner and in keeping with the decisions and intentions of the Norwegian Parliament.

When it is not possible to track funds to their final use as expenditures in accordance with the decision of the Norwegian Parliament (as we would be able to do with a Norwegian auditee), we try to seek assurance through other means and channels. Thus, cooperation with other SAIs and reliance on their work has become part of our audit methodology in this field.

For my office this is not really new, as we have performed joint audits with other SAIs in the past. In 2000, however, the then minister of development cooperation urged our audit office to gather representatives from like-minded SAIs to see if together we could assist in defining reporting requirements that would satisfy all the involved donors and their auditors. We were also encouraged to explore the extent to which SAIs could harmonize and coordinate their work to reduce the strain on recipient countries' authorities and SAIs.

This initiative started out under the name of Utstein cooperation but was later renamed the Harmonization of Overseas Audit Practices (HOAP). An article on this issue was written by the Netherlands Court of Audit and published in this *Journal* in April 2005.

From the relatively small initial group of SAIs, HOAP has grown into a group with broader participation and a more defined methodology. Groups of SAIs within HOAP carry out reviews and audits and report to the larger group. It is then at the discretion of each SAI to use the findings in an appropriate way. This way many SAIs get information that may be used as audit evidence without doing the investigations themselves.

Cooperation with other SAIs in this field will, in my experience, create not only benefits but also some challenges.

Auditing development cooperation funds is a challenge in itself, as the donor country's auditee—in our case, the Ministry of Foreign Affairs and its embassies—does not spend the funds but rather transfers the funds to another user—i.e., another country—where we do not have an audit mandate. The auditee has the task of following up and controlling the expenditure of funds. As more donors use the same financing mechanism, they have to follow up with the same user, something they normally do as a joint exercise. Auditing more donor countries' agencies at the same time will give the SAIs involved the clear benefit of having access to more information, as they will get the views of more donors that may have been directly involved in following up interesting issues.

Even if SAIs base their work on INTOSAI auditing standards and guidelines, they may have different approaches and objectives. This will, more often than not, lead to professional discussions from which everyone concerned will benefit. For example,

there have been discussions on how far we should follow the flow of money and its use after it has been merged with another nation's funds and also what constitutes sufficient evidence.

SAIs have limited resources. By working together, each of the involved SAIs will theoretically use less personnel resources on an assignment. I say theoretically because thus far it seems that preparations for these joint audits take extra time. The team has to agree on such issues as the approach and objective, the timing, the sharing of work, and the reporting. Since the SAIs working together will change, this work starts from the beginning every time. On the other hand, the HOAP participants who are not involved in the particular audit will get the results for free.

Thus far my comments have largely related to the SAIs of the donor community. Performing such audits should always involve the SAI of the recipient country. They are the auditors of the spending authorities. Donor agencies will normally use the reports from these SAIs as evidence of the expenditure of funds through the national financial system. The voluntary active participation of the SAI of the recipient country will provide an invaluable contribution to the exercise through the additional information and local knowledge the SAI can bring. Through the discussion between SAIs, the local SAI will, I believe, benefit by sharing experience and knowledge.

Also, the recipient authorities should benefit in that only one group of auditors will demand their time and resources in collecting audit evidence and background information.

In the April 2005 article on HOAP in this *Journal*, the authors mentioned the positive experience resulting from HOAP's work in Zambia. Subsequently, a different team has worked in Tanzania, and another team is planning a joint audit or review visit to an African country where direct budget support is of material value.

In closing, I would strongly recommend the continued cooperation between SAIs in all fields where there is common ground and where resources can be more efficiently used through cooperation. Sharing information will provide a firmer basis for our reporting and put us in a better position to express an opinion on whether funds have been spent in keeping with the decisions and intentions of Parliament.

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NEWS

IN

brief

Argentina

Performance Auditing Cooperation Program with U.K. NAO

The Argentine SAI (AGN) signed an agreement with the National Audit Office (NAO) of the United Kingdom to strengthen the AGN's analysis of internationally recognized techniques and tools of performance audit. The agreement calls for an intensive 2-year program, during which performance audits incorporating best practices and the latest methodologies will be carried out. The first phase of the program was completed in September 2007 when a team of NAO performance audit specialists came to Argentina to assist the SAI in evaluating instruments of analysis. During the remainder of the program, those instruments will be applied and adapted to the realities of the Argentine context. According to Ed Humpherson, assistant auditor general of the NAO, "After 2 weeks of reflecting on work methods, we can conclude that there is fertile ground in the Argentine soil to generate reports that will produce greater fruit in terms of better management by the government and better services for citizens."



Senior AGN and NAO officials discuss their auditing cooperation program at a September 2007 meeting in Argentina.

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Australia

Annual Review of Top 30 Defense Capital Equipment Projects

Following a recommendation from one of Australia's parliamentary committees (the Joint Committee of Public Accounts and Audit), the Australian National Audit Office (ANAO) is seeking funding for an annual review of the top 30 major defense capital equipment projects. Believing that continuous monitoring of these projects, as well as looking back at individual projects, could deliver significant benefits to defense, the Parliament, and the country, the ANAO is working cooperatively with Australia's Defence Materiel Organisation to develop an appropriate report for the Parliament. The proposed report would evaluate the top 30 major defense projects by capability, schedule, and

cost and would also identify systemic issues that improve or impede performance.

Training Assistance Project with Indonesia

The ANAO and the Audit Board of the Republic of Indonesia recently completed the first year of a 3-year assistance program to develop the Audit Board's capacity to carry out performance and financial audits.

During the first year, a performance audit workshop for 20 Indonesian Audit Board staff was conducted in Jakarta in September 2006. In addition, pilot performance audits were carried out for (1) the National Land Authority (NLA), (2) the BR—the agency responsible for the rehabilitation and reconstruction of Aceh following the 2004 tsunami—and (3) actions to control bird flu. The audit

teams performed joint work in Jakarta in January and March 2007, and the NLA audit team adopted the ANAO audit approach. Four financial auditors and two performance auditors from the Indonesian Audit Board were also seconded to the ANAO for periods of 7 to 11 months. The four financial auditors recently completed their secondments and have returned to the Audit Board of Indonesia.

The assistance is being funded under the Government Partnership Fund of the Australia Indonesia Partnership for Reconstruction and Development and administered by the Australian Agency for International Development (AusAID).

For additional information, contact the ANAO:

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Web site: <http://www.anao.gov.au>



Participants and instructors at the performance audit workshop the ANAO conducted for the Audit Board of the Republic of Indonesia in Jakarta in September 2006.

China

2006 Audit Report Issued

In June 2007, Li Jinhua, Auditor General of the National Audit Office of China (CNAO), presented his audit report on the 2006 central budget execution and other fiscal revenues and expenditures at the 28th session of the 10th National People's Congress (NPC) Standing Committee in Beijing.

According to the report, CNAO's audit focused on the enforcement of the Ministry of Finance's central budget, budget execution by the central government departments and their affiliates, the management and spending of social security funds, financial resources for projects on natural forest resources protection, financial resources for migrants from the Three Gorges reservoir area, the construction and management of key Three Gorges water conservancy projects and toll

expressways, income statements of the assets of three joint-stock banks, the implementation of economic accountability for leading members of eight central enterprises, and the performance of five central enterprises. The audit identified legal and statutory violations and substandard management in central budget implementation as well as issues with other financial revenues and expenditures that will be addressed through ongoing reform and enhanced management.

Various departments and units had addressed problems found during the previous year's audit and had made improvements on 121 rules and regulations in response to the audit's recommendations. As a result of audit findings, 106 major criminal cases were referred to the judicial organs and disciplinary and supervisory department for investigation and handling; 94 persons were arrested, indicted, or convicted; and 177 persons were punished by party or government discipline. The State Council has delivered a special report to the NPC standing committee on the rectification of the problems identified by the audit last year.

Book on the History of Audit in China Published

In July 2007, a press conference was held in Beijing to announce the publication of the English version of the *History of Audit in China*, which was edited by Li Jinhua, the auditor general of China. (The Chinese version of this book was published in 2003.) In keeping with INTOSAI's motto, "Mutual Experience Benefits All," the CNAO decided to translate the book into English to share the Chinese audit experience with international colleagues. Mr. Li will send a copy of the English version to the heads of all INTOSAI members in 2007.

To complete the book, Mr. Li and dozens of experts in history and finance throughout China worked for 4 years to collect and select materials. As a monumental work in professional and historical research, it covers the emergence and development of audit in every historical period spanning the thousands of years of Chinese history.

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Indonesia

Cooperation Agreement with the Accounts Chambers of the Russian Federation

In September 2007, the Audit Board of the Republic of Indonesia (BPK) and the Accounts Chambers of the Russian Federation signed a cooperation agreement on public sector audit. The signing, in the Indonesian presidential palace, was witnessed by the presidents of Indonesia and the Russian Federation.

The agreement provides a framework to enhance mutual cooperation between the two SAIs on common areas of interest through parallel research and audit, training, seminars, and other exchanges of information and experience.

As a part of the agreement implementation, the BPK invited Mr. Stepashin to deliver a public lecture, "External State Audit in the Russian Federation: Current Situation and Perspectives," on September 7. This lecture was attended by more than 175 participants representing the Parliament, ministries, law enforcement agencies, universities, the media, and others from Indonesia's accountability community.

The BPK believes that the cooperation agreement will result in significant benefits to the whole accountability community in Indonesia by promoting good governance in the public sector.

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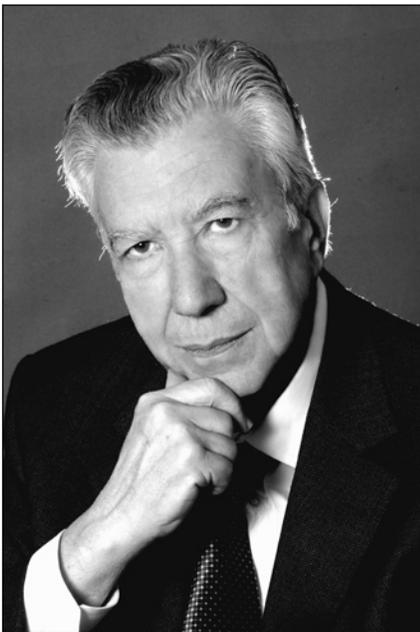


Sergey Stepashin (seated left) and Anwar Nasution (seated right) sign a cooperation agreement on public sector audit witnessed by Russian President Vladimir Putin (left) and Indonesian President Susilo Bambang Yudhoyono (right).

Italy

New SAI President

In February 2007, Tullio Lazzaro was appointed President of the Corte dei conti, succeeding the retiring President, Francesco Staderini. The President is chosen from among the Corte's Presidents of Chamber and is appointed by the President of the Republic upon the proposal of the President of the executive Council of Ministers.



Tullio Lazzaro

Mr. Lazzaro received a law degree in 1957 and began his career as a military magistrate from 1960 to 1963. Since 1963, he has served as a magistrate in the Corte dei conti. He was judge referendary, deputy general prosecutor, and director of a priori audit (pre-audit of expenditures) in the Ministry of Defense from 1963 to 1975. He was named a counsellor in 1975 and became a member of the Corte's United Chambers responsible for auditing the financial management of public bodies, enterprises, and

regions; he was also responsible for a priori audits in the Ministry of Justice and in the presidency of the Council of Ministers. In 1995, he was appointed President of chamber, chairing the jurisdictional chamber of the Lombardia region, as well as the compliance audit chamber and the central chamber for performance audit. In 2006, he was named Deputy President while maintaining his function as President of the central performance audit chamber.

Mr. Lazzaro has published many essays/articles on specialized reviews and acted as a senior lecturer in law and state accounting in a number of Italian universities.

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Latvia

Annual Report for 2006 Issued

In July 2007, the State Audit Office (SAO) of the Republic of Latvia published its annual report for 2006. The report includes five major sections: a profile of the SAO, a discussion of the implementation of the SAO's strategic development plan, the results of the SAO's audits, information on external communication and cooperation, and a discussion of the SAO's priority areas for the coming year. The annual report shows how work performed in 2006 contributed to achieving the SAO's long-term strategic objectives. It also includes an assessment of the implementation of the SAO's strategic development plan for 2006–2009, which was approved in January 2006. The plan includes three strategic development

areas: strengthening the SAO's role as an external auditor, ensuring sustainable development for the SAO, and planning and managing SAO resources. The annual report is available online at www.lrvk.gov.lv/index.php?id=2264.

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Malaysia

Performance Audit Course Implemented Under Technical Cooperation Program

In December 2006, the National Audit Academy (NAA) of the National Audit Department of Malaysia became a course provider under the Malaysian Technical Cooperation Programme (MTCP) of the Economic Planning Unit of the Prime Minister's Department. Under this program, the NAA will annually offer a performance audit course that will provide knowledge and skill in the fundamental principles, concepts, methodologies, and techniques of performance auditing. The Malaysian government will pay the cost of conducting these courses.

The first performance audit course under the MTCP was held June 18–29, 2007, at the NAA. The 27 participants came from Afghanistan, Brunei, Bhutan, Cambodia, China, Indonesia, Iran, Kyrgyzstan, Laos, Malaysia, Mongolia, Mauritius, Nepal, Philippines, Sri Lanka, Thailand, Timor Lester, Vietnam, and Yemen. The course sessions provided opportunities for participants to exchange ideas and experiences on the subject matter and to establish professional networks.



Participants in the June 2007 NAA performance auditing course in Malaysia.

Besides attending lectures, engaging in group discussions, and analyzing specific case studies, the participants attended talks to enhance their understanding of performance auditing. Michael McFarlane from the Australian National Audit Office talked about performance auditing from the Australian perspective. Tan Sri Hadenan bin A. Jalil, former Auditor-General of Malaysia, and Hashim Mohamad, Group Chief Auditor of Telekom Malaysia Berhad, also shared their experiences. During the 2-week stay in Malaysia, the participants also came to know more about the country and its culture by visiting several places of interest and participating in a home stay program.

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Malta

National Audit Office Celebrates Its 10th Anniversary

The National Audit Office of Malta (NAO) celebrated its 10th anniversary during a conference held on May 18, 2007. The conference brought together leaders

of the Maltese public administration to review the contributions that public sector auditing had made in the past and to explore ways of enhancing that contribution in the future.

The Office of the Auditor General and the NAO were set up following an amendment to the constitution of Malta and the enactment of the Auditor General and National Audit Office Act in July 1997, which established the functions and powers of the auditor general and provided for the NAO to be an autonomous body succeeding the Audit Department, which was then under the ministry responsible for finance.

In his introductory speech, Anton Tabone, Speaker of the Maltese House of Representatives, referred to the wide-ranging powers of the Public Accounts Committee (PAC) to inquire into matters relating to public accounts and the respective roles of the National Audit Office and the PAC.

The Auditor General, Joseph G. Galea, gave an overview of developments in public sector auditing in Malta over the past decade, highlighting the organizational developments that consolidated the role of the NAO as a professional audit institution. In particular, the Auditor General referred to the strengthening of the financial and compliance audit section, the

establishment of the value-for-money audit section, the recruitment of professionally qualified and experienced staff, the development of an ICT section, and the development of a healthy working relationship with the PAC. He also outlined the NAO's active participation in international fora, which has enhanced the NAO's international profile and enabled the sharing of experiences on audit work.

Other presentations were made by representatives of the Maltese public sector and Parliament and by international guests. Michael Whitehouse, Assistant Auditor General of the United Kingdom National Audit Office, outlined recent developments in public sector audit in Britain, in particular the key elements of public sector reform—improved delivery of public services, the achievement of predetermined targets by government departments, and the maintenance of the overall skills and capabilities of public sector employees—and the British SAI's response to these changes.

Hubert Weber, President of the European Court of Auditors (ECA), outlined the role and philosophy of the ECA and examined its relationship with state audit institutions in the EU member states. He also referred to the intensive exploration of common areas of interest with the national audit institutions undertaken within the framework of the EU Contact Committee of Supreme Audit Institutions.

All legal and organizational developments in the NAO during the past 10 years must be seen in the context of broader national development as part of a broad-based effort to renew Malta's public sector.

The conference presentations can be downloaded from the National Audit Office Web site under NAO 10th Anniversary Conference.

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Nepal

Public Accounts Committee Calls Ministries to Respond to SAI Annual Report

In June 2007, the parliamentary Public Accounts Committee (PAC) of Nepal met with officials from the 10 government ministries with the highest number of irregular transactions and amount of arrears, as reported in the 2006 annual report of the auditor general. Six senior ministers were present. During the meeting, members of the PAC discussed the report and asked the chief accounting officers to explain how they planned to settle the many irregular transactions and arrears. The Chairman of the PAC also asked the ministers and secretaries to take concrete actions to solve the problems and indicated plans to continue meeting in the future.

This meeting followed the PAC's May 2007 visit to the Office of the Auditor General (OAG), where committee members met with the acting auditor general and senior OAG officials. The chairman of the PAC asked the auditors to report at the earliest possible opportunity so that authorities can take immediate actions and improve financial discipline.

For additional information, contact the OAG:

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infoag@most.gov.np
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Pakistan

New Auditor-General

In July 2007, Tanwir Ali Agha became the 16th auditor-general of Pakistan, replacing retiring auditor general Muhammad Yunis Khan. As the head of the SAI of Pakistan, Mr. Agha is responsible for overseeing the financial operations of the federal and provincial governments on behalf of the legislature, with a constitutional mandate to report to the legislature on the fiscal transparency and results of operations in the public sector.

Mr. Agha joined the Pakistan Audit and Accounts Service in 1972. He held key positions in the Ministry of Finance for more than two decades, including posts as the economic minister to the Embassy of Pakistan in Washington, D.C.; executive director on the Board of the World Bank; and secretary of the Ministry of Finance.

Mr. Agha's goal is to bring greater transparency and accountability to the management and overall operations of public institutions in Pakistan. He also aims to enhance Pakistan's interaction in professional forums of the international and regional organizations of SAIs.

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Russia

10th Anniversary of the Bulletin of the Accounts Chamber

October 2007 marks the 10th anniversary of the publication of the first issue of the *Bulletin of the Accounts*

Chamber, the official monthly publication of the Accounts Chamber of the Russian Federation. The *Bulletin* includes information on completed audits, expert opinions of the Accounts Chamber—including those on draft federal laws—methodological and analytical materials and information on official visits and business trips of the Chairman of the Accounts Chamber and Collegium members. It also reports on events and scientific conferences in which the Accounts Chamber has participated and on the activities of the Expert and Advisory Board of the Chairman of the Accounts Chamber and the State System Analysis Research Institute of the Accounts Chamber.

The *Bulletin* is distributed among legislative and executive authorities, as well as the audit institutions of Russia and other Commonwealth of Independent States countries and to the general public through free subscriptions. All issues of the *Bulletin of the Accounts Chamber* are available on the Accounts Chamber Web site (<http://www.ach.ru>). Since 2002, the Web site has also included English summaries of all published articles. More than one million visitors have accessed the Web site since it was created in February 2001. This transparency promotes professional, independent external control over the application of budgetary funds to increase the performance of the executive; it also gives taxpayers objective information on the outcomes and quality of the work of public institutions so that they can verify the correct and efficient expenditure of public funds.

In the near future, the Accounts Chamber will initiate a system audit for the application of the US\$12 billion in federal budget funds allocated in preparation for the 2014 winter Olympic Games in Sochi. This complex audit will be carried out by four audit sectors

led by the chairman of the Accounts Chamber, Sergey Stepashin. The *Bulletin* will report on the outcomes of the audit to the President, government, Parliament of the Russian Federation, and general public.

A survey of readers published in the *Bulletin* revealed great interest on the part of both specialists (economists, financiers, and lawyers) and ordinary Russian citizens in the activities of not only the Accounts Chamber but also foreign SAIs and international SAI organizations. The *Bulletin* is open to cooperating with all interested organizations and is ready to publish interesting audit-related information from others in its issues.

For additional information, contact the Accounts Chamber:

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United States

New Revision of Government Auditing Standards Issued

David M. Walker, Comptroller General of the United States and head of the U.S. Government Accountability Office (GAO), has issued the July 2007 revision of *Government Auditing Standards*, which supersedes the 2003 revision and updates the January 2007 revision. The standards—first published in 1972 and commonly referred to as the Yellow Book—cover federal entities and any organizations receiving federal funds. Various laws require compliance with the comptroller general's auditing standards in connection with audits of federal entities and funds. Furthermore, many state and local governments and other entities, both domestically and

internationally, have voluntarily adopted these standards.

The July 2007 revision contains several fundamental changes that reinforce the principles of transparency and accountability and provide the framework for high-quality, value-added government audits. For example, the new Yellow Book heightens the emphasis on ethical principles as the foundation, discipline, and structure behind the implementation of the standards; enhances and clarifies the requirements for an audit organization's system of quality control; and adds a requirement that external audit organizations make their most recent peer review reports publicly available.

The July 2007 revision represents the completed 2007 revision of *Government Auditing Standards* that should be used by government auditors until further updates and revisions are made.

An electronic version of this document can be accessed on GAO's Yellow Book Web site at www.gao.gov/govaud/ybk01.htm.

For further information, contact the GAO:

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Correction

In the October 2006 *Journal*, we incorrectly reported that Nafi Ngom Keita had been named the head of the SAI of Senegal. Abdou Bame Gueye is the President of the Cour des comptes of Senegal. Keita was named Auditor General of Senegal and Head of the Inspection général d'État, an internal oversight body within the government of Senegal.

INTOSAI's New Professional Standards Framework

By Kristoffer Blegvad, INTOSAI Professional Standards Committee

International Standards of Supreme Audit Institutions (ISSAI) will be the new common name of all official INTOSAI documents on the role and functioning of SAIs. Documents offering guidance on the conduct of administrative authorities will be called INTOSAI Guidance for Good Governance (INTOSAI GOV). The documents will be systematically numbered according to a set of classification principles, and a new Web site (www.issai.org) has been launched to make INTOSAI's standards and guidelines easily available to auditors around the world. These are the highlights of the proposal on INTOSAI's framework of professional standards that the Professional Standards Committee (PSC) will present for endorsement at the 19th INCOSAI in Mexico in November 2007.

The new framework represents one of the main objectives outlined under goal 1 in INTOSAI's strategic plan 2004-2010. The proposal being presented is the result of 3 years of preparation by the PSC Steering Committee and many constructive comments received from SAIs around the world. The exposure draft was sent to all INTOSAI members when the PSC conducted a survey on the need for professional standards (see "Developing International Standards and Guidelines for SAIs" in the July 2007 issue of the *Journal*). The Web site will provide an enhanced overview of all ISSAIs and INTOSAI GOVs currently in force and provide information about new ISSAIs in the pipeline. The new numbering system will clarify the hierarchy among the documents and make it easier to see how each document fits into the overall framework. The numbers will also assist users in making accurate references to the various documents and help to clarify whether new documents that are issued supplement or replace current ones. The proposal thus embodies the principle often stated in the foreword to INTOSAI's documents—that auditing guidelines are living documents that are continuously being refined and elaborated and have to be read and applied in the context of all applicable guidance. All documents will be available in the five official INTOSAI languages provided by the responsible committees and working groups—ready to print and apply.

The ISSAIs and INTOSAI GOVs

Though work still needs to be done in the next 3 years, many useful documents can already be found on the ISSAI Web site. As shown in figure 1, *the Lima Declaration* (which will become ISSAI 1) is at the top of the hierarchy. At level 2 in the INTOSAI framework, ISSAIs will cover the basic prerequisites for the proper functioning and professional conduct of SAIs. The first will be the new *Mexico Declaration on Independence* (ISSAI 10) proposed by the PSC's Subcommittee on Independence. INTOSAI's *Code of Ethics* (ISSAI 30) will also be at this level.

Figure 1: INTOSAI Professional Standards Framework

INTERNATIONAL STANDARDS OF SUPREME AUDIT INSTITUTIONS	
Level 1	Founding Principles
ISSAI 1	<i>The Lima Declaration</i>
Level 2	Prerequisites for the Functioning of SAIs
ISSAI 10	<i>The Mexico Declaration on Independence (INCOSAI 2007)</i>
ISSAI 11	<i>Guidelines and Good Practices Related to SAI Independence (INCOSAI 2007)</i>
ISSAI 20	<i>Principles of Transparency and Accountability (planned for 2010)</i>
ISSAI 30	<i>Code of Ethics</i>
ISSAI 40	<i>Audit Quality (planned for 2010)</i>
Level 3	Fundamental Auditing Principles
ISSAI 100	<i>Basic Principles (INTOSAI Auditing Standards)</i>
ISSAI 200	<i>General Standards (INTOSAI Auditing Standards)</i>
ISSAI 300	<i>Field Standards (INTOSAI Auditing Standards)</i>
ISSAI 400	<i>Reporting Standards (INTOSAI Auditing Standards)</i>
ISSAIs 500-900	Reserved for future principles
Level 4	Auditing Guidelines
Implementation Guidelines	
ISSAI 1000–2999	Financial Audit Guidelines (pending, including guidelines based on International Standards of Auditing)
ISSAI 3000-3999	Performance Audit Guidelines
ISSAI 4000-4999	Compliance Audit Guidelines (pending)
Specific Guidelines	
ISSAI 5000-5099	International Institutions
ISSAI 5100-5199	Environmental Audit
ISSAI 5200-5299	Privatization
ISSAI 5300-5399	IT Audit
ISSAI 5400-5499	Audit of Public Debt
INTOSAI GUIDANCE FOR GOOD GOVERNANCE	
INTOSAI GOV 9100-9199	Internal Control Standards
INTOSAI GOV 9200-9299	Accounting Standards

Source: INTOSAI Professional Standards Committee

Level 3 of the hierarchy—indicated by three digit numbers—deals with fundamental auditing principles. It includes the four chapters of the existing *INTOSAI Auditing Standards*, which will be split into four separate documents numbered ISSAI 100–400. The PSC’s proposal includes no changes to the content of these standards.

Level 4 of the hierarchy will contain all the auditing guidelines developed by PSC subcommittees and the task forces and working groups under goal 3. This includes implementation guidelines on financial, performance, and compliance auditing. At present, 10 new financial auditing guidelines have been developed in cooperation with the International Federation of Accountants (IFAC). (For additional information, see the Financial Audit Guidelines Subcommittee section in Inside INTOSAI.) These guidelines are based on IFAC’s International Standards of Auditing (ISA), and the ISSAI number will refer to the numbers used by IFAC. For example, ISSAI 1300, *Planning an Audit of Financial Statements*, will consist of ISA 300 and a practice note developed by the PSC’s Financial Audit Guidelines Subcommittee. The practice note contains guidance relevant to financial audits in the public sector in addition to that provided in the ISA. Level 4 will also include specific guidelines on the audits of international institutions, the environment, privatization, IT, and public debt. These have been developed by the task forces and working groups under goal 3 of the strategic plan and, in the future, may also include other subjects (e.g., disaster relief aid).

The INTOSAI GOVs can also be found on the new INTOSAI standards and guidelines Web site. These documents do not include information about the operations of SAIs but rather are issued by INTOSAI to provide guidance to administrative authorities. INTOSAI GOVs include guidelines on internal control standards developed by PSC’s Subcommittee on Internal Control and the existing INTOSAI accounting standards framework.

Further Development of the ISSAIs and INTOSAI GOVs

At the 19th INCOSAI in Mexico City, the PSC will request a renewed mandate for 2007–2010 that sets out an ambitious working plan for the next 3 years. The strategic plan gave the PSC the task of developing principles on SAI transparency and accountability (which are to become ISSAI 20). To complete level 2, the PSC has decided to develop a new ISSAI on audit quality control (to become ISSAI 40). Under the PSC steering committee, these documents will be developed as two projects that will be chaired by the SAIs of France and New Zealand, respectively.

Under the new mandate, PSC’s goal is to provide a comprehensive set of guidelines for financial, performance, and compliance auditing by 2010. In 3 years, the INTOSAI framework will thus include a full set of financial auditing guidelines covering all ISAs (ISSAIs 1000–2999). Additional guidelines are to be developed to provide guidance in areas that are unique to SAI financial audits and therefore not covered by ISAs. The Performance Audit Subcommittee established in 2005 under the chairmanship of the SAI of Brazil will provide new guidance on performance audit methodology that will supplement the existing guidelines on performance auditing (ISSAI 3000) from 2004.

The Compliance Audit Subcommittee will provide a general guideline outlining the basic definitions of compliance auditing (ISSAI 4000), a guideline on compliance auditing in connection with auditing financial statements drawing on the related ISA (ISSAI 4100), and guidelines on compliance auditing organized in other ways—e.g., as a separate task or in connection with performance auditing (ISSAI 4200).

In its work, the PSC will give high priority to ensuring clear and user-friendly guidance on the special role of SAIs and particular features of public sector auditing. The PSC will work to harmonize public sector audit internationally by recognizing, using, and building on standards issued by other standard-setting bodies and developing supplementary guidance in areas where SAIs have special needs. The guiding principles are that when the tasks are identical, the standards should be too, and likewise, when the tasks are different, the standards should differ. In addition to its well established and much valued cooperation with IFAC, the PSC has entered into a new cooperation agreement with the Institute of Internal Auditors (IIA) for guidance on internal control. This cooperation is managed by the Subcommittee on Internal Control, which plans to develop a new electronic platform for internal control tools.

Ensuring Permanent Maintenance after 2010

In its strategic plan for 2004–2010, INTOSAI took a great leap forward in its efforts to provide operational auditing guidance for SAIs. The many SAIs from around the world that are contributing to this work are investing substantial resources to achieve this goal. When the development phase reaches its end in 2010, it will be important to ensure that this investment results in the maximum benefits. Developing and maintaining a clear and user-friendly set of professional standards for SAIs will require ongoing commitment from different kinds of SAIs in all the INTOSAI regions. It will also require experts in standard-setting for public sector auditing who can monitor the many different documents and maintain clarity and consistency in the ISSAIs. The present organization of committees and subcommittees ensures the former but not the latter. During the maintenance phase after 2010, the PSC will need to be supported by a more permanent structure. In Mexico, the PSC will therefore also ask for a mandate to look into different options for meeting this challenge. The goal is to present a proposal for both a permanent structure and a mandate for the continual updating and improvement of the ISSAIs for approval by the 20th INCOSAI. This will allow the new process of permanent maintenance to take effect after 2010.

The success of INTOSAI's new framework will depend not only on the quality of the standards and guidelines but also on the extent to which it is used by public sector auditors around the world. The new Web site (www.issai.org) is already up and running. Please check it out for yourself and help the PSC by passing on the message to your colleagues and contacts:

***www.issai.org* is yours—use it!**

For additional information, contact the author at kb@rigsrevisionen.dk.

Effectiveness Examinations and Impact Assessments

By Rikke Falkner Thagesen and Ane Elmoose, Rigsrevisionen, Denmark

The report on a 2006 peer review of Rigsrevisionen, the Danish SAI, recommended that the agency place increased emphasis on effectiveness examinations. The report's recommendations coincided with Rigsrevisionen's plans to apply more advanced methods when carrying out examinations of effectiveness. As a result of the peer review report, Rigsrevisionen initiated three major examinations that focus on effectiveness and impact assessment.

Effectiveness and Impact

Effectiveness examination is the overall term applied to analyses of the impact of government efforts and projects. An effectiveness examination may include an evaluation of goal achievement, impact, and the relation between impact and resources. Impact refers to the results of an effort in the short, medium, or long term.

The examinations were initiated to assess the impact of the efforts in the Ministry of Social Affairs and in the Ministry of Refugee, Immigration and Integration Affairs and in the area of industrial promotion within several Danish ministries. The three examinations are also part of a development project in Rigsrevisionen designed to gain experience and skills in the field of impact assessment and will provide a platform for drawing up guidance on how to work within the area of effectiveness in the future.

Prerequisites of Examinations

Rigsrevisionen's preliminary examination showed that the ministries had focused on impact assessment in recent years but had rarely considered how to measure the future impact of their efforts when developing legislation or establishing a new support scheme. As a result, the ministries often did not have sufficient data to carry out valid impact assessments. Because the ministries did not collect the necessary data, the three project groups have found it difficult to identify the areas best suited for impact assessments and obtain usable data.

Rigsrevisionen is collaborating closely with the Danish Institute of Governmental Research (AKF),¹ which has extensive experience with impact assessments. The AKF will provide feedback on professional aspects of the three examinations and contribute views and suggestions concerning methodology, the framework of analysis, and the interpretation of results.

¹The AKF conducts research into subjects of relevance to the public sector, especially municipalities and regions. It also carries out independent research at an international level. The results of its work are disseminated in scientific journals and in publications for the general public.

editor's note

Rigsrevisionen, the Danish SAI, has initiated three projects aimed at gaining experience in and deepening skills related to effectiveness examinations and impact assessment methodologies.

Assessing impact requires coordination and a close dialogue with the institutions concerned. Furthermore, to successfully assess the results of the effectiveness examinations, the entity and Rigsrevisionen must fully agree on the intended impact of a given effort.

Impact examinations have a dual purpose. First, the individual examination should provide concrete evidence of the immediate impact. This part of the examination is based on concrete impact assessments and thereby adds a new dimension to Rigsrevisionen's current evaluations of the impact of ministries' efforts.

Second, the examinations are designed to map out/shed light on the ministries' work with impact and provide specific recommendations on how to develop the area. This part of the examination is based on methodologies previously applied by Rigsrevisionen, and it includes an assessment of how the ministries are working with impact in selected areas based on goals, strategies, and action plans.

Looking to the Future

When the reports on the examinations are finished in the spring of 2008, the process will be evaluated, as one of the goals of the examinations is to build knowledge, experience, and skills within the field of impact examination. In the long term, the work with examinations is expected to provide Rigsrevisionen with guidance on how to work with impact assessments in the future.

The effectiveness examination work will also help to develop new skills within Rigsrevisionen. Regardless of the format chosen for future work with impact assessment, employees will be better able to review impact assessments and evaluations carried out by the entities.

When the results of the three examinations are available, the Rigsrevisionen will publish the most significant results and experiences gained in a future article.

For additional information, please contact the authors at rt@rigsrevisionen.dk and ane@rigsrevisionen.dk.

Harmonization of Financial Auditing Standards in the Public and Private Sectors—What Are the Differences?

By Kelly Ånerud, Office of the Auditor General of Norway

INTOSAI continues to contribute actively to the harmonization of public and private sector financial auditing standards. The Memorandum of Understanding between INTOSAI's Professional Standards Committee and the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) was renewed in June 2006 for 3 more years. The cooperation process was described in articles in the April 2004 and October 2004 issues of this *Journal*.

INTOSAI contributes to this harmonization by

- providing experts to participate in IAASB task forces that are working on revising and redrafting the International Standards on Auditing (ISA),
- writing comment letters about exposure drafts of ISAs,
- attending meetings of the IAASB and the IAASB's Consultative Advisory Group, and
- writing INTOSAI practice notes to assist with the practical application of the ISAs in a public sector context.

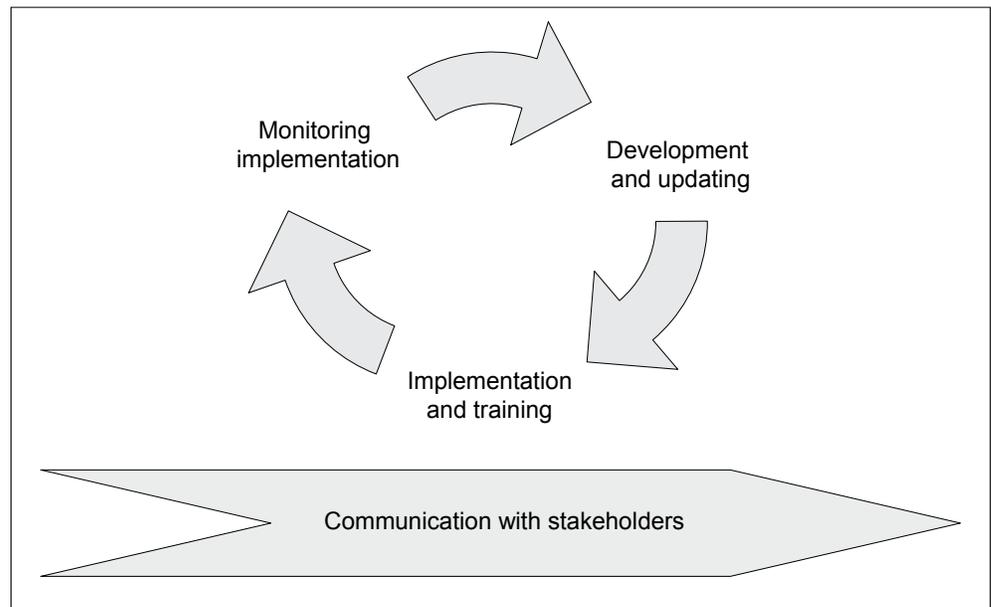
The INTOSAI Financial Audit Guidelines Subcommittee is working to develop the INTOSAI Financial Audit Guidelines, which will consist of an ISA and an INTOSAI practice note. The guidelines will be part of the fourth level of the planned INTOSAI framework—International Standards for Supreme Audit Institutions (ISSAI). The ISSAI framework and the Financial Audit Guidelines developed to date will be presented for endorsement at INCOSAI 2007.

The harmonization process requires ongoing cooperation between the parties involved, and all phases of the process must be considered. It also requires continuous focus on the issues particular to the public sector to help ensure that practical application guidance is developed. Furthermore, effective implementation, training about how to use the guidelines, and ongoing monitoring that highlights the need to revise existing guidelines or develop new material are important. The phases of the process are illustrated in figure 1.

editor's note

INTOSAI contributes actively to the harmonization of public and private sector financial auditing standards. Experience shows that the international standards used in the private sector are relevant to public sector audits. However, the public sector audit mandate is generally broader, and public sector auditors must take into account additional considerations. See the *Journal* Web site (www.intosaijournal.org) for the second part of this article.

Figure 1: Harmonization Process Phases Related to Auditing Standards and Guidance



The following sections provide a brief overview of the main areas in which differences between the two sectors have been identified through the cooperation process to date. These differences are being addressed in the text of the ISAs themselves (as general statements or specific public sector considerations) or in the INTOSAI practice notes.

The Objective of a Financial Statement Audit

In the private sector, the overall objective of the audit is to enable the auditor to express an opinion about whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. This is the fundamental starting point for auditors in the private sector, and it guides the work throughout the audit process until completion and issuance of the audit report.

The objective of a financial statement audit in the public sector is generally broader than in the private sector. Public sector auditors also express an opinion about whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. In addition, they are generally responsible for reporting on compliance with authorities, including budget and accountability, or on the effectiveness of internal control. There may also be public expectations regarding the scope of matters to be included in a public sector audit. Although reporting on the audited entity's economy, efficiency, and effectiveness is not part of the scope of developing guidelines for financial statement audits, many SAIs also have a performance audit mandate to report on these issues. Nonetheless, in regard to the audit of financial statements, public sector auditors generally have a broader mandate to consider when applying the INTOSAI financial audit guidelines throughout the process of a financial statement audit.

Terminology in the Standards

As part of the harmonization process, attempts are being made to use “sector neutral” terminology to draft the international standards¹ so that they can be readily understood and applied in both the public and private sectors. This is done by including appropriate text in the standards themselves or in the related glossary. Additional definitions and guidance may also be included in INTOSAI’s practice notes as needed.

For example, one of the fundamental concepts in the international standards is that there are significant public interest issues related to the audits of “listed entities” (entities quoted on a recognized stock exchange). The international standards set out several requirements related specifically to listed entities. Examples include the following:

- ISQC 1—*Quality Control for Firms That Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements* requires engagement quality control reviews to be performed before the audit report is issued as well as rotation of engagement partner responsibility after a specified period, normally not more than 7 years.
- ISA 260—*Communication with those Charged with Governance* requires annual communication about the independence of the auditor to those charged with governance.

Listed entities, as such, may not be common in the public sector. However, public sector entities that are significant due to size, complexity, or public interest aspects and consequently have a wide range of stakeholders (for example, state-owned corporations and public utilities) may be comparable to listed entities. This is in line with the trend in the private sector, which is moving toward broadening the concept of “listed entities” to “significant public interest entities,” which would include both listed entities and other entities.

The Relationship between Auditor and Auditee

In the private sector, the auditor/auditee relationship is normally contractual. Certain preconditions must be present before the relationship can be established. These include a suitable framework for financial reporting and management’s acknowledgement of and agreement to its responsibilities for preparing and presenting financial statements in accordance with this framework. The contract terms are normally set out in an engagement letter. This letter includes matters such as the objective and scope of the audit, the responsibilities of the various parties, and the form of reports to be

¹The term “international standards” refers to the body of IFAC pronouncements, including ISAs and the International Standards on Quality Control (ISQC). The ISAs consist of an introduction, an objective, definitions (where applicable), requirements, and application material. The international standards do not have mandatory application among SAls.

issued. Even in private sector cases in which certain aspects of the audit are regulated by law, engagement letters may be useful to address other aspects, such as access to documentation, timetables, communication, or billing arrangements.

Auditors in the private sector normally carry out certain procedures when determining whether or not to accept or continue an audit engagement. These procedures may include an evaluation of management's reputation, competence, and integrity; the audit team's competence, time, and resources to carry out the engagement; the engagement team's ability to comply with ethical requirements; and significant previous audit findings.

Private sector auditors generally have the option to decline or withdraw from the engagement if, for example,

- they cannot agree on the terms of the engagement with management;
- ethical requirements cannot be met;
- significant difficulties are encountered, such as noncompliance with laws or regulations or the inability to access documents;
- they risk being associated with misleading information; or
- scope limitations prohibit them from obtaining sufficient, appropriate audit evidence on which to base their audit opinion.

In the public sector, the appointment of public sector auditors, the engagement portfolio, the auditor's responsibilities and powers, and perhaps even the form of report to be issued may be set out in law and regulation or the audit mandate. Nonetheless, the use of engagement letters may be beneficial when an entity is being audited for the first time or when there have been changes in the structure of the audited entity or in key entity personnel responsible for communication with public sector auditors. Use of such engagement letters is normal practice in many SAIs today.

Public sector auditors are generally appointed under statutory procedures and do not normally have the option to decline or withdraw from an audit engagement. Despite any significant difficulties that may be encountered in connection with the audit, it is generally in the public interest that they complete the assignment to the extent possible and report to the governing body, the legislature, or others as appropriate. Whereas private sector auditors might withdraw from the audit engagement in certain cases, as described above, public sector auditors may extend the scope of their work or expand their reporting as appropriate when confronted with similar situations.

In addition to the requirements and guidance set out in the ISAs, there may be further considerations for public sector auditors in undertaking audit engagements. For example, the capabilities and competence required in an audit may be broader and include the need to understand applicable reporting arrangements, such as requirements for reporting to the legislature, governing body, or the public.

Public sector auditors may sometimes need to adapt their approach in order to promote compliance with the requirements of the ISAs. They may do this, for example, by expanding their reporting when a private sector auditor withdraws from the engagement or by performing procedures such as those related to client acceptance and continuance to obtain valuable information for assessing risk and carrying out reporting responsibilities.

Please see the *Journal* Web site for the second part of this article, which covers quality control, planning, risk assessment, documentation, communication, fraud, materiality, management representations, and reporting.

For further information on the development of financial audit guidelines, please see the Web site of the Financial Audit Guidelines Subcommittee (<http://psc.rigsrevisionen.dk/fas>) and news from the subcommittee in this issue's Inside INTOSAI.

Reports in Print

In this issue, the *Journal* continues to highlight reports from SAIs that identify best practices.

Government Purchases of External Consultant Services

In 2006, Norway's Rigsrevisionen issued a report addressing government purchases of external consultant services. According to the report, governments use external consultants for assignments that they, for various reasons, cannot or do not wish to carry out. The Ministry of Finance estimated that Norway's government spent more than 3 billion Norwegian krone (about U.S. \$533 million) on external professional services in 2004. The report examines the answers to two main questions. First, can authorities be more strategic in deciding whether external professional services should be purchased instead of using internal employees to carry out an assignment? Second, can the authorities' purchase of external professional services be made more cost effectively—i.e., can procurements be prepared and carried out more promptly and efficiently and can follow-up on purchases be improved? The report includes several recommendations and a checklist to support government authorities in their procurement of professional services.

For additional information, contact Rigsrevisionen:

Fax: ++45 33 11 04 15, 14 38 28

E-mail: rigsrevisionen@rigsrevisionen.dk

Web site: www.rigsrevisionen.dk

Managing Conflicts of Interest

The Office of the Controller and Auditor-General of New Zealand recently issued a report on managing conflicts of interest. The report aims to provide a coherent source of advice and guidance for public entities as they develop their own policies and

rules. The report addresses how to understand the concept of conflict of interest and suggests an approach for dealing with particular issues. The main thrust of the report is that conflicts of interest need to be identified, disclosed, and managed. The report also discusses the option adopted by some public and private organizations: using a register to record in writing declarations of interests as a way of identifying and disclosing potential conflicts of interest.

For additional information, contact the Office of the Controller and Auditor-General:

Fax: +64 4 917 1549

E-mail: enquiry@oag.govt.nz

Web site: www.oag.govt.nz

Protecting against Corruption in Government Activities

In May 2006, the Swedish National Audit Office, Riksrevisionen, issued a report titled *Protection against Corruption in Government Activities*. The report identified two reasons for the weakness of anticorruption protection in government agencies and state-owned companies the office audited: (1) a failure to translate management's rejection of corruption into concrete action and (2) a lack of clarity in the rules and directives that delineate the duties of management. The report makes several recommendations for combating corruption, including requiring the management of government organizations to conduct risk analyses for corruption.

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Financial Audit Guidelines Subcommittee



First Set of Financial Audit Guidelines to Be Presented for Endorsement by INCOSAI

The Financial Audit Guidelines Subcommittee (FAS) will present its first set of financial audit guidelines for endorsement at the 19th INCOSAI in Mexico City in November 2007.

The following nine guidelines for financial audit—International Standards of Supreme Audit Institutions (ISSAI)—comprising practice notes and International Standards on Audit (ISA)—will be presented for approval by the INTOSAI Governing Board and the Congress:

- ISSAI 1230—*Audit Documentation*
- ISSAI 1260—*Communication with Those Charged with Governance*
- ISSAI 1800—*Auditor's Report on Special Purpose Audit Engagements*
- ISSAI 1805—*Special Considerations When Reporting on Summary Financial Statements*
- ISSAI 1220—*Quality Control for Audits of Historical Financial Information*
- ISSAI 1300—*Planning an Audit of Financial Statements*
- ISSAI 1315—*Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*
- ISSAI 1330—*The Auditor's Procedures in Response to Assessed Risks*
- ISSAI 1450—*Evaluation of Misstatements Identified during the Audit*

In addition, the following documents will be presented as drafts:

- ISSAI 1320—*Materiality in Planning and Performing an Audit*
- ISSAI 1000—*Implementation Guidelines on Financial Audit—Introduction*

ISSAI 1320 is currently being exposed for comment on the FAS Web site (<http://psc.rigsrevisionen.dk/fas>), and ISSAI 1000 will be exposed for comment at a later time, before INCOSAI 2010. The FAS would like to encourage all SAIs to consider the drafts and submit their comments to the subcommittee.

The practice notes have been translated into INTOSAI's official languages in preparation for the congress and are available on the FAS Web site. However, since the ISAs are issued in English by the International Auditing and Assurance Standards Board (IAASB), they will not be translated.

Quality Standards

During the April meeting of the steering committee of the INTOSAI Professional Standards Committee in Bahrain, it was decided that the IAASB's International Standard on Quality Control (ISQC1) will be integrated into level two of the planned ISSAI structure. The drafted practice note will thus not be presented for approval in Mexico City as planned.

Current Activities

The FAS has initiated the following work on practice notes:

- A task force will draft practice notes for ISA 500—*Audit Evidence* and ISA 501—*Audit Evidence—Additional Considerations for Specific Items*. The practice notes are expected to be exposed for comment in September 2008.
- A special expert team will draft practice notes for ISA 200—*Objective and General Principles Governing an Audit of Financial Statements*, ISA 210—*Terms of Audit Engagements*, and ISA 250—*Laws and Regulations*. The practice notes are expected to be exposed for comment at the earliest in April 2008.

Future Activities

In 2007-2010, FAS plans to do the following:

- Continue to incorporate public sector considerations into ISAs by
 - participating as members in IAASB task forces to write audit standards on current and future projects and
 - writing comment letters on ISA exposure drafts where INTOSAI has not provided any input to the IAASB task force.
- Continue to provide guidance beyond what is provided in the ISA for public sector audits by
 - drafting practice notes for all ISAs to provide special considerations for the public sector and
 - drafting additional guidance dealing with the specific considerations of the public sector that, together with ISAs and practice notes, will constitute INTOSAI financial audit guidelines.
- Present a comprehensive set of the financial audit guidelines for endorsement at the 2010 INCOSAI.
- The subcommittee's goal is to present to the INCOSAI a comprehensive set of financial audit guidelines comprising ISAs, practice notes, and additional guidance.

Calls for Nominations of Experts

As a result of the work plan of the IAASB and FAS, no calls for nominations of experts are expected before 2010. FAS currently has enough experts to produce the practice notes planned until the 2010 INCOSAI and, due to the Clarity Project, the IAASB does not anticipate starting a great number of new projects during this period.

The FAS still has an ongoing need for additional input from Courts of Accounts and would also welcome any other experts nominated by their SAIs during the next 3-year period. The FAS asks all SAIs to notify the project secretariat when nominated experts are no longer available to work.

Subcommittee Meetings

The subcommittee met in Stockholm, Sweden, August 23–24, 2007. The primary issues on the agenda were FAS's official approval of a number of translated practice notes as well as the revised work plan and budget for 2008–2010.

The next meeting will be held in London April 8–9, 2008, and will be hosted by the U.K. National Audit Office.

For additional information, please contact the FAS:

E-mail: projectsecretariat@riksrevisionen.se

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

Capacity Building Committee

The steering committee of the INTOSAI Capacity Building Committee (CBC) met in Rabat, Morocco, on September 5, 2007. The main purpose of the meeting was to present progress reports on the work of the committee's three subcommittees and discuss a draft pilot project that the CBC and the goal liaison (the SAI of the United States) are coordinating jointly.

At the meeting, CBC Subcommittee 1, chaired by the United Kingdom, presented a report on its main activities: development of a capacity-building guide and a directory of capacity-building projects. The steering committee endorsed the capacity-building guide and approved the decision to make it available in French and English at the 19th INCOSAI in Mexico City as a CBC working document. The steering committee also approved the design for the guide and considered using the design for other CBC products. The guide will be further developed during the next 3 years before it is adopted by the INTOSAI community. By 2010, it will be available in the other official languages of the INTOSAI. The steering committee also noted the progress made with the survey to collect information from SAIs that will be included in the directory of SAI capacity-building activities. The SAI of Sweden will develop the questionnaire for the survey. Subcommittee 1 also presented its work program for the present until the 20th INCOSAI in South Africa in 2010.

CBC Subcommittee 2, chaired by the SAI of Peru, presented its main activities as well as a summary report on the results of the technical questionnaire on encouraging (1) joint and coordinated or parallel auditing programs and (2) internship and visitor programs. This questionnaire was elaborated by the Fiji Islands and distributed before the meeting to all INTOSAI members. Subcommittee 2 also presented its preliminary work plan for 2008–2010.

CBC Subcommittee 3, chaired by the SAI of Germany, had the task of developing guidelines on how to undertake peer reviews and providing related best practice examples. The representative of this subcommittee apologized for the delay in reporting on its activities due to the unexpected leave of the person in charge but stated that the subcommittee would report on its progress and future work plan at the INCOSAI in Mexico City.



Participants in the September 2007 meeting of the steering committee of the Capacity Building Committee in Morocco.

Before the meeting, the CBC chairman and the goal liaison (the U.S. SAI) had jointly elaborated a proposal for comment. The proposal was entitled *Partnering for Progress to Fight Corruption, Promote Transparency, Improve Performance and Ensure Accountability—INTOSAI, the World Bank, and the Donor Community Working Together to Strengthen the Capacity of Supreme Audit Institutions*. At the meeting, the steering committee members discussed the draft, which is to be finalized during the next meeting of the CBC Steering Committee before being presented at the 19th INCOSAI.

During the Steering Committee, the World Bank representative pointed out that INTOSAI needed to deal with two fundamental issues: (1) defining the required

funding at the INTOSAI, regional group, and country levels and (2) linking these needs with the expectations of the donor community (both the World Bank and other donors) by opening discussions between INTOSAI and the donor community. The World Bank representative also stated that the timing for this project is appropriate as donors wish to fund capacity-building efforts. He also announced that funding issues will be discussed at a meeting of the donor community to be held in Paris in December 2007.

The next meeting of the CBC will be November 4, 2007, in Mexico City. The objective of the meeting will be to approve the reports on the committee's progress that will be presented at the 19th INCOSAI.

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Ninth ARABOSAI Assembly

The Arab Organization of Supreme Audit Institutions (ARABOSAI) held its Ninth Assembly in Sana'a, Yemen, May 28 to June 1, 2007. Hosted by the Central Organization for Control and Audit (COCA) for the Republic of Yemen, the assembly drew delegates from Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates (UAE), and Yemen. Guests and observers included the INTOSAI Secretary General; ambassadors from participating countries; and representatives from the INTOSAI Development Initiative (IDI), this *Journal*, the League of Arab States, and the World Bank.



Heads of delegations to the Ninth ARABOSAI Assembly with the Prime Minister of Yemen.

Opening Ceremony

Abdullah Abdullah Al-Sanafi, President of COCA for the Republic of Yemen, and Ali Muhammed Mujawar, the Prime Minister of Yemen, led the opening ceremony and warmly welcomed the delegates. Ahmed El Midaoui, President of the Supreme Board of Accounting for the Kingdom of Morocco, relayed the remarks and good wishes of Mustafa Al-Barari, President of the Jordanian Audit Bureau and then President of the ARABOSAI Governing Board, who was unable to attend due to illness. Josef Moser, Auditor General of Austria and INTOSAI Secretary General, also addressed the assembly, thanking ARABOSAI for inviting him as an observer and welcoming the delegates. Faiza Kefi, first President for the Court of Accounts for the Republic of Tunisia and ARABOSAI Secretary General, noted ARABOSAI's achievements and mentioned its pioneering role among regional organizations in innovative programs of audits and evaluations and control over public monies. Later in the proceedings, Dr. Al-Sanafi formally assumed the presidency of the ARABOSAI Governing Board.

ARABOSAI Business

Dr. Al-Sanafi, President of COCA and incoming President of the Governing Board, presented board's reports to the Ninth Assembly on ARABOSAI's activities and financial condition during the 3 years since the Eighth Assembly:

- **Training and Scientific Research.** The Governing Board reviewed the results of training meetings held and the implementation of the Training and Scientific Research Committee's action plan for 2007. Training meetings on contracting were held in Kuwait at the end of 2006. In cooperation with INTOSAI, training meetings were also held in Algeria on Auditing Financial Electronic Data and Systems. The board also reviewed the proposed plan prepared by the Training and Scientific Research Committee for 2008 to 2010 and approved the plan with some amendments. The General Assembly subsequently approved the plan.

The Governing Board approved the technical recommendations of the training meetings held in Egypt on health sector auditing. These recommendations included (1) providing member SAIs with the knowledge and skills necessary to conduct performance audits in general and in the health sector in particular and (2) identifying problems and difficulties in performance auditing in some Arab countries and ways to overcome them. The experience of Egypt and participating countries in the field of health sector auditing could be beneficial to other SAIs.

Accomplishing this would require the establishment of health sector evaluation standards and performance measures that are appropriate for each Arab country's specific conditions. Such standards would promote greater integration among member countries and should consider the international standards established by the World Health Organization. Other recommendations included being attentive to internal control systems, including the need for a cost system that allows service performance effectiveness to be measured; considering environmental factors and

their effect on human health when conducting health sector evaluations; and being attentive to the establishment of information systems to ensure that the information necessary for conducting performance audits will be available.

- **ARABOSAI Strategic Plan.** The Governing Board heard the proposal for the first ARABOSAI strategic plan made by the strategic planning team, which was headed by Morocco and consisted of staff from the SAIs of Kuwait, Libya, Saudi Arabia, Tunisia, UAE, and Yemen. After extensive discussion and some amendments, the board submitted the proposals to the General Assembly, which discussed and approved the plan unanimously. The Governing Board recommended that the strategic planning team, during its meeting at the end of 2007, reconvene ARABOSAI's working groups and teams and have them adopt the content of the ARABOSAI strategic plan as their goals. The board also recommended that the strategic planning team prepare a proposal to implement the annual plan based on the ARABOSAI strategic plan and the training and information technology plans. In addition, the board recommended that the strategic planning team prepare a proposal for the implementation of the annual plan based on the ARABOSAI strategic plan and the training and information technology plans.
- **ARABOSAI Research and Journal Awards.** The Governing Board approved the Training and Scientific Research Committee's award recommendations for the Eighth Scientific Research Competition organized by ARABOSAI. Muhammad Brauu from Morocco received the first prize award for his paper, "The Role of the Supreme Audit Institution in Public Funds Accountability." Other first prize winners included Mohamed Deer, also of Morocco, and Hesham Zaghlul Ibrahim Ali of the Egyptian SAI, for their papers on "Supreme Audit Institutions' Financial Auditing and Application of Governmental Information Technology Systems" and "Environmental Auditing," respectively. The board also approved an award to Habib Abdul-Salam from the Court of Accounts of Tunisia for an article published in the *Journal on Financial Auditing*, "Performance Auditing in the Public Health Sector."

Technical Theme Presentations

The Ninth ARABOSAI General Assembly was organized around three themes:

- Theme I: the supreme audit institution's role in government administration development
- Theme II: the impact of audit standards and procedures guidelines in enhancing audit quality and
- Theme III: developing standards in light of electronic information systems.

Plenary addresses introduced each theme and were followed by delegate debates on the professional and technical issues discussed in the principal papers and other presentations. Conclusions and recommendations were developed and approved for each theme.

Yemen moderated theme I, with Saudi Arabia serving as the rapporteur. The theme's main recommendations emphasized, among other things, the importance of ensuring the independence of SAIs; enhancing and developing audit methodologies; developing SAIs' human capital; promoting mutual cooperation in training and knowledge sharing between ARABOSAI's members and INTOSAI; and encouraging research, studies and translations of topics related to administrative development. Implementation of these recommendations would enhance the capacity of SAIs to strengthen the state's administrative development.

Egypt moderated theme II, with Tunisia serving as rapporteur. One of the main recommendations suggested that ARABOSAI's Audit Standards Committee develop (1) audit standards based on international standards to ensure audit quality and (2) an ARABOSAI audit standards manual to help guide member SAIs in developing their own manuals within the context of their respective environments. Another recommendation was exploring the development of a strategic planning team mechanism to promote bilateral cooperation between SAIs by exchanging audit teams and experts and enabling SAIs to conduct audit quality self-assessments.

Jordan moderated theme III, with Qatar serving as rapporteur. Some of the main recommendations were to develop a legal framework, including legislation, relating to information technology (IT) systems; develop SAIs' IT human capacity; improve coordination between the SAI and the relevant state agency responsible for IT development; establish specialized units to support the SAI in conducting IT system audits; and periodically review all relevant policies and procedures related to IT system audits.

Election of New Members and Other Business

During the general business session, the General Assembly elected a new Governing Board. The assembly unanimously approved the transfer of the General Assembly presidency to COCA of Yemen. Jordan, which hosted the previous ARABOSAI assembly, is first Vice Chairman and Saudi Arabia, which will host the next ARABOSAI Assembly, is the second Vice Chairman. The delegates elected four SAIs—Bahrain, Iraq, Lebanon, and Morocco—to the Governing Board. They join the current members—the Secretary General of ARABOSAI (Tunisia) and the SAIs of Algeria, UAE, Egypt, and Kuwait. The SAIs of Syria and Mauritania were elected as main members to the Financial Audit Committee, and the SAIs of Sudan and Palestine were elected as reserve members.

The Governing Board reviewed the ARABOSAI financial plan for 2008–2010 that had been prepared by the General Secretariat. After extensive discussion, the Governing Board approved the plan and presented it to the General Assembly, where it was ratified.

The board also reviewed the report of the Financial Audit Committee regarding the results of financial audits of ARABOSAI for 2006 and approved the final accounts for 2006. The Governing Board requested that member SAIs pay their dues for ARABOSAI's budget by the first 3 months of each fiscal year. It also asked the General Secretariat to expend its best effort to implement the recommendations of the Financial Audit Committee.

The Governing Board approved the topics for the 10th ARABOSAI Assembly and established specific deadlines for rapporteurs, the General Assembly, and individual country SAIs to complete and transmit research studies and country papers. The board thanked the SAIs of Kuwait and Oman for their reports on member SAIs' participation in INTOSAI working groups and teams. The board also thanked Osama bin Jafaar Faquih, the President of the General Auditing Bureau of Saudi Arabia, for his report on activities relating to the INTOSAI Finance and Administration Committee and Ahmed El Midaoui, the President of the Supreme Board of Accounting of Morocco, for his report on the activities of the INTOSAI Capacity Building Committee (CBC). Finally, the board thanked Abdullah Al-Sanafi, the president of COCA for the Republic of Yemen, for his reports on participation in the steering committee meeting of the CBC as a representative of ARABOSAI and other committees.

Abdulrahmana Al-Ajlan, representing the General Auditing Bureau of Saudi Arabia, invited participants to the 10th ARABOSAI Assembly, which will be held in Riyadh in 2010.

Other Activities

Throughout the conference, the President of COCA treated participants with generous hospitality and warmth. Delegation heads met with the President of Yemen, Ali Abdullah Saleh. Dr. Al-Sanafi hosted a lunch for delegates and invited guests at the Al-Diwan Restaurant in Sana'a. Delegates and invited guests were treated to a tour of Rhlal Kokban, a mountain town outside of Sana'a, and a tour of old Sana'a city, including its Grand Mosque, the handicraft markets, and the ancient Ghamdan Palace. This tour was followed by an evening of outdoor entertainment that included Yemeni folklore, dance, and songs. On the last day of the assembly, Dr. Al-Sanafi presented delegates representing their SAIs with awards commemorating their participation. He also gave awards for the best research papers and published *Journal* article presented at the assembly.

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10th SPASAI Congress

The South Pacific Association of Supreme Audit Institutions (SPASAI) met in Port Moresby, Papua New Guinea, September 10–14, 2007. The theme for the Congress was regional SAI cooperation and collaboration on regional audit initiatives, and the Congress was hosted by the SAI of Papua New Guinea. In addition to delegates from 12 SPASAI members, there were stakeholders from the Asian Development Bank, AusAID (Australia's foreign assistance agency), China, INTOSAI, the Pacific Island Forum Secretariat, and Stantons International. Two new SPASI members also participated in the Congress: the Australian Audit Office and the Chambre Territoriale des Comptes de la Polynésie Française.



Participants in 10th SPASAI Conference held in Papua New Guinea in September 2007.

Consistent with the theme of the congress, many of the presentations focused on the Pacific Regional Audit Initiative (PRAI), whose objective is to raise Pacific public auditing to uniformly high standards. This effort is being developed within the context of the broader Pacific Plan,¹ which has four pillars: economic growth, sustainable development, good governance, and security through regionalism. PRAI falls under the good governance pillar, specifically improved transparency, accountability, and equity and efficiency in managing and using resources. To support this effort, SPASAI members formed a Regional Institutional Strengthening Committee comprising representatives from Fiji, Cook Islands, New Zealand, Palau, Papua New Guinea, Tuvalu, and Vanuatu.

Several Stantons International consultants gave presentations related to PRAI. Neville Smith noted that achieving the PRAI design will require an in-depth understanding of the challenges SAIs in the region face, factors SAIs can control and influence, and identification of those challenges that are regional in nature and those that are SAI-specific. Linda Weeks discussed the key challenge facing the global accountability

¹<http://www.pacificplan.org/tiki-page.php?pageName=The+Pacific+Plan>

community of relatively high staff turnover and critical staff shortages. She also reviewed the overall human resource management model and its transformation through revised performance competencies. Kerry McGovern talked about her initial visits to three SPASAI members: Fiji, Palau, and Papua New Guinea.

Sanjesh Naidu of the Pacific Islands Forum Secretariat provided context for the PRAI effort, discussing how it fits within the context of the broader Pacific Plan to Strengthen Regional Cooperation and Integration. He discussed concrete examples of regional approaches to furthering goals in the Pacific Plan; for example, customs agents in member states have pooled resources to do postclearance audits.

Pritom Phookun of the INTOSAI Development Initiative discussed the status of a range of work done by regional SAI groups on capacity-building needs assessment, strategic planning, capacity strengthening, and developing IT audit capabilities. He also provided an example of recent work carried out in one nation on a capacity-building framework, discussing the methodology used to conduct the study and the importance of cooperating with local audit staff in carrying out this work.

Jim Kirwan of the Department of Finance, Papua New Guinea, made a presentation titled “Auditing for Impact: A Perspective from the Department of Finance.” He emphasized that auditing for impact requires SAIs to build business relationships within the government in order to be effective, while ensuring independence of the audit office. He stressed that audit findings alone are insufficient to ensure change.

Steve Chapman, Deputy Auditor General of Australia’s National Audit Office, made a presentation titled “The Journey to Performance Auditing in Australia.” In 2006-07, the National Audit Office tabled 51 performance audit reports in the Parliament. He highlighted key legislation, early performance audit experience, and lessons learned to date. He summarized by noting that performance audits are a useful complement to financial audits and are “worth the effort.” He cautioned that transitioning to performance auditing requires commitment and the development of new skills for staff accustomed to doing financial audits.

Peter Achterstraat, Auditor General of the state of New South Wales, Australia, discussed recent developments, including audit coverage, budget, staffing, and the office’s audit responsibilities. He also provided a comparative discussion of work done by other investigative agencies in his region and how they relate to his office’s mandate, e.g., the Independent Commission against Corruption, the Ombudsman Office, and the Police Integrity Commission. Kevin Brady, Controller and Auditor General for New Zealand, was unanimously appointed to another term as SPASAI’s Secretary General.

The location for the 11th SPASAI congress was not determined at the close of the meeting although it was agreed that it needed to be held in early 2008 with the timing dependent on the progress of the Pacific Regional Audit Initiative.

Related Activities

The Papua New Guinea Audit Office organized a comprehensive program to ensure that participants experienced a range of cultural and recreational activities in the

Port Moresby region. Delegates and stakeholders were invited to attend opening and closing receptions at the National Parliament building. There was also a group visit to a memorial established to honor those who died in the World War II Papua New Guinea campaign, a national park overlooking the Port Moresby region, and a botanical garden. Throughout the week, congress participants were treated to traditional shows that featured dances and songs characteristic of Papua New Guinea and the regional culture.

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IDI/ASOSAI Financial Audit Workshop

In July 2007, IDI and ASOSAI sponsored a 3-week workshop on financial auditing—with an additional module on fraud and corruption—for the SAIs of East and Central Asian countries. The workshop was held in Russian in Kyrgyzstan, and at its conclusion, the teams developed a financial audit plan in accordance with international auditing standards. The team instructors were IDI-certified training specialists and subject matter experts.

IDI/AFROSAI-E Development of a Quality Assurance Handbook

IDI and AFROSAI-E, the English-speaking AFROSAI regional group, have developed a quality assurance (QA) handbook for use by QA reviewers at the SAI and regional levels. The handbook provides practical guidance about conducting QA reviews at institutional and individual audit levels. It also provides guidance on setting up a QA function in SAIs. A six-member project team consisting of regional experts met in Botswana in July 2007 and then in Lesotho in September 2007 to develop the handbook. Both the project meetings were facilitated by the IDI program manager. The draft handbook will be presented to the Technical Committee of AFROSAI-E in October 2007 for approval and launched in the region at the Technical Update in November 2007.

IDI/AFROSAI-E Capacity-building Needs Assessment Workshop for Selected SAIs

IDI and AFROSAI-E conducted a 5-day workshop to train teams from six countries (Seychelles, Zambia, Namibia, Liberia, Ethiopia, and Malawi) in conducting capacity-building needs assessments. The workshop was held in Ghana in July 2007 with 28 participants and was delivered by a regional team of six facilitators who had developed the course in South Africa in May 2007. According to the memorandum of understanding signed by the participating countries, each team will conduct a needs assessment in its SAI and prepare a report by November 2007. The process will be monitored by AFROSAI-E. Based on the needs assessment, the SAIs will develop strategic plans during the second phase of the program.

IDI/OLACEFS Planning Meeting for the Training Network Symposium

A team of six training specialists met with IDI representatives in July in Venezuela for a 3-day meeting to plan the content and logistics of a training network symposium and agree on its outputs and outcomes. The symposium will be held in Panama in October 2007, and its main objective will be to strengthen and consolidate knowledge management in OLACEFS. The three topics to be covered during this event are a systematic approach to training, e-learning initiatives in the region, and knowledge management.

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 keep up to date between editions of the *Journal*, look at the IDI Web site: www.idi.no

IDI/ASOSAI Capacity-building Needs Assessment Meeting

A 2-week capacity-building needs assessment meeting was held in August 2007 in Bhutan and Nepal to (1) strengthen regional capability in assessing capacity and (2) identify potential IDI/ASOSAI cooperation programs for 2008 and succeeding years. The needs assessment teams consisted of IDI-certified training specialists and audit managers from ASOSAI.

IDI/CAROSAI Focus Group and Master Classes for Strategic Planning

In August 2007, the heads and senior management of 14 CAROSAI SAIs attended a 3-day focus group and master classes for strategic planning organized in Barbados by IDI and CAROSAI. In the focus group, the heads of SAIs and senior management members articulated a vision and mission for the CAROSAI strategic plan and determined the goals and objectives for the plan. During the master classes, the SAIs reported on commitments in the area of resource management that they had made previously and shared experiences in strategic planning. In addition, the IDI/AFROSAI-E model for strategic planning was shared with participants. Representatives from donor agencies—the Inter-American Development Bank and the Canadian International Development Agency—also attended both meetings.

IDI/ARABOSAI Needs Assessment Design Meeting

In March 2007, IDI developed a framework and a number of tools to assess capacity-building needs. A design meeting for the ARABOSAI Needs Assessment Program was held in Norway in August 2007 to adapt the tools for the ARABOSAI region and to prepare training materials in Arabic. The selected team consisted of two information technology champions and two training specialists who had graduated from past IDI programs. As a next step, teams from participating ARABOSAI SAIs will be trained to use the tools and will help identify ARABOSAI needs.

IDI and Liaison with the INTOSAI Community

IDI representatives have attended and reported at the following events in recent months:

Steering Committee Meeting of the Capacity Building Committee (Morocco), ASOSAI Governing Board and Regional Training Committee (Kuwait), SPASAI Congress (Papua New Guinea), and the AFROSAI-E annual institutional partners' project planning meeting (South Africa).

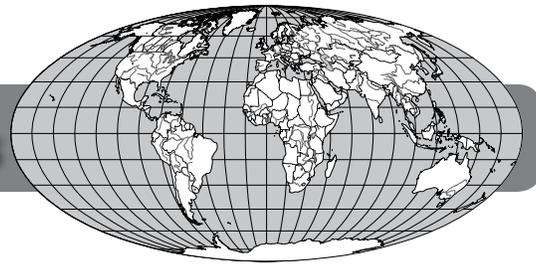
Contacting IDI

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INTOSAI 2007 - 2008 Events



<p>October</p> <p>1–6 17th OLACEFS Governing Board meeting, Dominican Republic</p>	<p>November</p> <p>4 Professional Standards Committee meeting, Mexico City, Mexico</p> <p>5–10 19th INCOSAI and 56th and 57th INTOSAI Governing Board meetings, Mexico City, Mexico</p>	<p>December</p>
<p>January</p>	<p>February</p> <p>TBD ARABOSAI Executive Council Meeting, Kuwait City, Kuwait</p>	<p>March</p>
<p>April</p> <p>2 Auditors General Global Working Group annual meeting, Marrakech, Morocco</p> <p>9 IDI Board meeting</p>	<p>May</p>	<p>June</p> <p>2–5 7th EUROSAT Congress, Krakow, Poland</p>

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.

INTOSAI

