

INTOSAI



JOURNAL

INTERNATIONAL
of GOVERNMENT AUDITING



October 2014



Board of Editors

Josef Moser, *President, Rechnungshof, Austria*
 Michael Ferguson, *Auditor General, Canada*
 Abdelkader Zgouli, *First President, Cour des Comptes, Tunisia*
 Gene Dodaro, *Comptroller General, United States of America*
 Adelina González, *Acting Comptroller General, Venezuela*

Acting President

Mark Gaffigan (*U.S.A.*)

Editor

Muriel Forster (*U.S.A.*)

Assistant Editors

Amy Condra (*U.S.A.*)

Associate Editors

Office of the Auditor General (*Canada*)
 Jagbans Singh (*ASOSAI-India*)
 Patrick Zacchini (*PASAI, Yap, Micronesia*)
 CAROSAI Secretariat (*St. Lucia*)
 EUROSAI General Secretariat (*Spain*)
 Khemais Hosni (*Tunisia*)
 Basilio Jauregui (*Venezuela*)
 INTOSAI General Secretariat (*Austria*)
 U.S. Government Accountability Office (*U.S.A.*)

Administration

Sebrina Chase (*U.S.A.*)
 Paul Miller (*U.S.A.*)

Members of the Governing Board of INTOSAI

Chairman	Liu Jiayi	<i>China</i>
First Vice-Chairman	Dr. Harib Saeed Al Amimi	<i>United Arab Emirates</i>
Second Vice-Chairman	Dr. Osama Jafar Faqeeh	<i>Saudi Arabia</i>
Secretary General	Dr. Josef Moser	<i>Austria</i>
Members:	Terrance Bastian	<i>Bahamas</i>
	Dr. Carlos Ramón Pólit Faggioni	<i>Ecuador</i>
	Hesham Genena	<i>Egypt</i>
	Gilbert Ngoulakia	<i>Gabon</i>
	Teruhiko Kawato	<i>Japan</i>
	Juan Manuel Portal Martínez	<i>Mexico</i>
	Lyn Provost	<i>New Zealand</i>
	Jørgen Kosmo	<i>Norway</i>
	Rana Muhammad Akhtar Buland	<i>Pakistan</i>
	Krzysztof Kwiatkowski	<i>Poland</i>
	Tatyana A. Gollkova	<i>Russian Federation</i>
	Kimi Makwetu	<i>South Africa</i>
	Gene L. Dodaro	<i>United States of America</i>
	Dra. Adelina González	<i>Venezuela</i>

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

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

U.S. Government Accountability Office
 441 G Street, NW, Room 7814
 Washington, D.C. 20548
 U.S.A.

(phone: 202-512-4707; fax: 202-512-4021;
 e-mail: intosaijournal@gao.gov)

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

The *Journal* is distributed to INTOSAI members and other interested parties at no cost. It is also available electronically at <http://www.intosaijournal.org> or <http://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.

contents

Editorial	1
News in Brief	5
What is independence?	11
Auditing cash-basis IPSAS financial statements	15
Auditing public colleges and universities: SAI Slovakia.	20
INTOSAI-Donor Cooperation Update	25
Inside INTOSAI	28
IDI Update	40
INTOSAI Calendar	45



Innovation as a bulwark against obsolescence

by Saskia J. Stuiveling, President of The Netherlands Court of Audit, President of the European Organization of Supreme Audit Institutions (EUROSAI)

In June 2014, the IXth EUROSAI Congress convened in The Hague, The Netherlands. At the Congress the Netherlands Court of Audit assumed the Presidency of EUROSAI from the Tribunal de Contas of Portugal.

This year's Congress took "innovation" as its theme: "Innovation," because we as SAIs need to keep up with the ever-changing context of the world in which we function. There is no doubt in my mind that if we do not change we will become obsolete.

In the most recent INTOSAI Development Initiative (IDI) Global Survey (2013), more than 40 percent of SAIs reported cases of interference from the executive in the budget process, thus threatening their financial independence. Just as significant is that fact that 15 percent of SAIs currently do not make any of their reports publicly available. This shows that we must carefully talk to our stakeholders, but we also need to be introspective about our position and our role in society. SAIs do not seek innovation for its own sake, but rather as an indispensable means of maintaining long-term added value. In this effort, we build on the EUROSAI, and indeed INTOSAI, values to embed and enhance the good governance of government entities and their affiliated institutions.

The topic being innovation, this year's EUROSAI Congress was unusual in form. Examples of innovation and best practices were discussed in administrative plenary sessions, as well as in workshops and seminars, at the IT market, and in the "open mic" sessions. More than half of the participating SAIs organized one or more of the workshops. The great diversity within EUROSAI led to a rich variety of presentations and discussions, in both formal and informal meetings. This made the Congress a truly shared experience, hosted by the Netherlands but shaped by the EUROSAI members themselves. The very active role of all SAIs resulted in valuable ideas and suggestions,

Editorial

all brought together in an electronic mind map. This mind map with the outcomes of the Congress, as well as the Congress' conclusions and recommendations, can be found at <http://www.eurosai2014.nl>

Young EUROSAI

We started preparing this Congress more than three years ago under this heading: “The Expedition.” Because we are convinced that at this point in time nobody can foresee which direction developments will take us, we must adapt to a pioneer mindset, helping each other discover and map unknown territory. Sharing ideas and listening to each other is more important now than ever.

The Netherlands Court of Audit wanted the critical and innovative voices of the young generation to be heard at the EUROSAI Congress, which is why we organized the first Young EUROSAI Congress, also on innovation, in Rotterdam, November 2013. More than a hundred young auditors had an opportunity to build up an international network, share ideas, and take part in workshops to discuss innovative best practices with their counterparts. Above all, they had the chance to make their views known to the generation in charge of their institutions.

Did the young have a message for us? They certainly did. The young auditors identified several upcoming challenges for audit offices. These vary from effective communication, knowledge sharing, and independence to achieving a true impact with our work and the growth of data. And these challenges are, of course, all connected. At the Congress' request the initiative of Young EUROSAI is certainly something that will be followed up on in the coming years. The Young EUROSAI report can be found at <http://www.eurosai2014.nl>

Conclusions and recommendations of the IXth EUROSAI Congress

At the Congress it became evident that all SAIs are involved in a constant quest to improve themselves, and to find the most effective working methods and audit techniques. SAIs are also eager to share their experiences and exchange views. In the future we will strive to preserve the mindset of sharing ideas and exploring opportunities, to both improve our work and better serve the public interest. The conclusions and recommendations of the IXth EUROSAI Congress aim to capture this spirit, and build on the input of all the SAIs attending and contributing to the Congress.

Culture and leadership

The Congress concluded that SAIs should strive to attain an innovative culture of learning and improving, one that offers opportunities to experiment. SAIs should also ensure their relevance by being open to doing different things, using different methods, and tackling new topics. SAIs should share their experiences and dilemmas within EUROSAI and with the wider SAI community. Also, EUROSAI and SAIs have a responsibility to lead by example.

The Congress therefore recommended that EUROSAI look at its own functioning and stimulate innovative, low-cost, sustainable, and web-based ways for SAIs to exchange views, documents, and experiences. A pilot project on the web-based exchange of information is already on its way, but needs further development. In the coming years EUROSAI will seek an independent evaluation of its own governance and *modus operandi*. The best way to innovate and make further improvements, however, is by just doing it. So the Congress recommends that EUROSAI encourage collaborative audits of relevant topics and foster experimentation with new audit approaches, techniques, and products.

Delivering the message

The added value of the work of SAIs depends considerably, but not exclusively, on how their message is delivered, perceived, and acted upon by parliament, government staff, and citizens. The message can take different forms, and be communicated in different ways at different moments. SAIs are increasingly interacting in new ways with their stakeholders, from citizens to governments, and new visualization techniques are becoming commonplace. There has also been enormous growth in the use of social and digital media, and SAIs should adjust to this new digital environment and audience. Therefore, EUROSAI will follow up in the coming years with a joint undertaking that could help SAIs progress in terms of communicating their message in innovative and effective ways.

Open data

There is continuous growth in the production of public sector data; this information is becoming more easily available to the public, and accessible from any location. This data is creating opportunities for the general public and other parties to become “armchair auditors,” which again creates opportunities for SAIs to both evaluate government performance and enhance public sector transparency and accountability. Open data ensures there is no longer a monopoly on most government information, and thus requires SAIs to rethink their own relevance, traditional roles, opportunities, and needs. The Congress recommended that EUROSAI facilitate a discussion on the opportunities and consequences for SAIs of open data, e.g., on the quality of such data.

Share your views

Initiatives on the topics of culture and leadership, delivering the message, and open data are currently being developed. I would like to invite you to share your views on these topics with us, whether you are a EUROSAI member or not.

Challenges

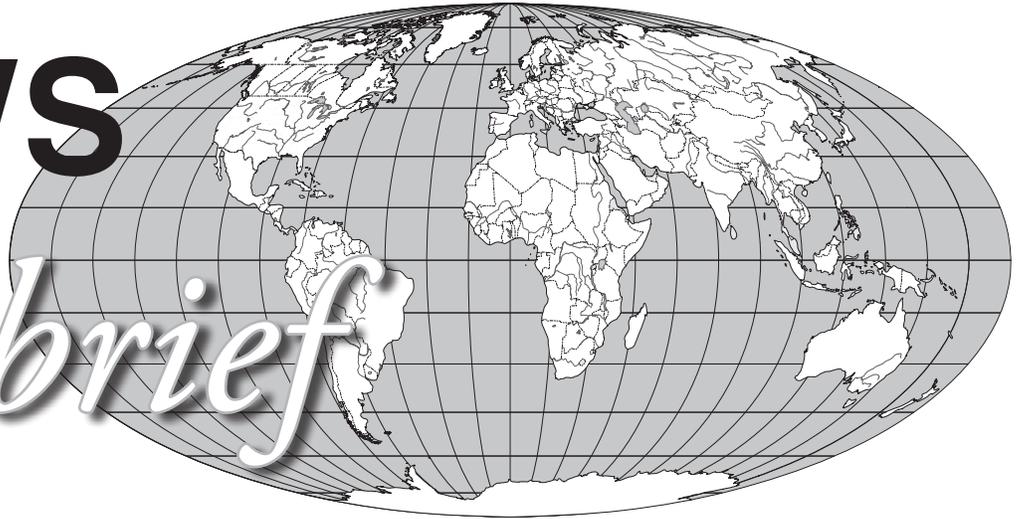
I mentioned the challenges set for our expedition by the young auditors community from EUROSAI. Now, we have asked them to come up with some possible solutions to those challenges. And as the challenges were of a great variety, the possible solutions

are covering even more ground! But one of the most outstanding solutions was that we as auditors have to abandon the “zero error culture.” We need to experiment, we need to get in touch with both the general public and our classical stakeholders, and we need to give support to new initiatives from the top of the organization. As audit offices we still have an important role to play, but we have to redefine it to meet the demands of the 21st century. In the words of Dutch/American artist Willem de Kooning: we have to change to stay the same.

NEWS

IN

brief



Chile

Forum addresses fight against corruption

On June 16-17, 2014, the Comptroller General and colleagues of the Chilean SAI attended the Organization for Economic Co-operation and Development's (OECD) meeting of the Public Sector Integrity Network (the Network) in Paris, France. This biannual forum was aimed at discussing the development of, and updates and adjustments to, integrity systems and systems for fighting corruption in member countries.

The main topics addressed at the forum were ways to restore trust in government; the role of integrity in the development of public policies; lessons learned about corruption control models, and ways to use these to update the Principles of Ethical Management in the Public Sector; a review of disciplinary systems for public officials; and, the role of data and indicators to measure the impact of policies on the fight against corruption.

At the forum the OECD presented its new analytical framework entitled

“Partners for Good Governance: Mapping the role of Supreme Audit Institutions.” This framework is part of a three-year study being undertaken by the OECD with the participation of 13 Supreme Audit Institutions (SAIs) from five continents.

Brazil's SAI identified ways in which SAIs could evolve into more effective institutions, fostering improved coherence, coordination and cooperation in policy making. Brazil's SAI also stressed the importance of performance indicators in strengthening internal control; effective risk management in promoting a whole-of-government approach to policy; and responsive, agile governance in delivering satisfactory services.

The Comptroller General's Office of Chile then spoke about its recent OECD Public Governance Review. In the spirit of trying to understand “who controls the comptrollers,” they emphasized the importance of being subject to an independent review by the OECD, and stated that it is not about SAIs doing more of the same, but doing things differently in order to add value.

Also at the Forum, a discussion took place among the SAIs of Brazil, Chile, Korea, France, Poland, South Africa, and the European Court of Auditors to discuss the next steps in the study on the role of SAIs in good public governance. The discussions reflected key points made in the Network meeting, and were aimed at aligning the vision and direction of the study with current challenges to integrity and anti-corruption.

For additional information, contact the Comptroller General of Chile:

E-mail: relacionesinternacionales@contraloria.cl

Website: <http://www.contraloria.cl>

Germany

New president for German SAI

Mr. Kay Scheller is the new President of the German SAI, Bundesrechnungshof. In May/June 2014, he was elected by the two Houses of Parliament to succeed Dr. Dieter Engels, whose term of office ended in April 2014. Mr. Scheller received the certificate of appointment from Joachim Gauck, President of the Federal Republic of Germany, on June 30, 2014.

Kay Scheller has a law degree and has held various positions at German ministries and the Federal Chancellery. From 2005 to 2014 he was director of the administrative office of a parliamentary group.



Kay Scheller

For additional information, contact the SAI of Germany:

E-mail: Poststelle@brh.bund.de

Website: <http://www.bundesrechnungshof.de>

Indonesia

BPK appoints new chairman



Rizal Djalil

Mr. Rizal Djalil, an Audit Board of Indonesia (BPK) Board Member, assumed office as the Chairman of the

BPK in April 2014. He succeeded Mr. Hadi Poernomo.

Prior to his appointment as the BPK Chairman, Mr. Djalil was Board Member VI, taking care of audits of the Ministry of Education, Ministry of Health, Ministry for The Development of Isolated Regions, National Agency of Drug and Food Control, and all of Eastern Indonesia's local governments. Before serving as Board Member, Mr. Djalil served as Member of the eleventh Commission of Indonesian Parliament, focusing on the fields of finance, development planning, banking, and non-bank institutions.

NIK peer review of BPK

Peer reviews carried out among SAIs within the INTOSAI community are an important tool to assure both quality of work and compliance with the ISSAI framework. In April 2014, the President of the SAI of Poland (NIK), Krzysztof Kwiatkowski, presented peer review results to the Audit Board of the Republic of Indonesia (BPK). The BPK undergoes a five-year peer review as a mandate of Indonesian law.

NIK was selected as a peer reviewer due to its vast experience in peer review and its membership in the Peer Review Sub Committee of the INTOSAI Capacity Building Committee. The aim of this peer review was to examine whether the BPK had designed and implemented the quality control system to provide compliance with the State Finance Auditing Standards, and to evaluate BPK's efforts in following up the recommendations of the previous peer reviewer.

In the review, samples of 16 audit reports of BPK were studied. NIK also interviewed the Indonesian Anti-Corruption Commission and Parliament, and found that cooperation between BPK and the two institutions was well established.

BPK has sought to improve procedures, standards, guidelines, and systemic and strategic approaches. "With this peer review we are able to learn our weaknesses, for better solutions and improvement," said Hadi Poernomo, who was at that time serving as Chairman of BPK.

Vice Chairman of BPK, Hasan Bisri, said BPK would develop an action plan as a response to the recommendations. BPK would examine NIK's recommendation of public access to audit reports, and analyze the legal basis and other regulations related to this recommendation.

In its report, NIK found that, since the 2009 peer review, BPK has put a great deal of effort into developing its procedures, standards, guidelines and a systemic, richly documented strategic approach. This approach has been necessary and fruitful, especially in a country as large and diverse as Indonesia. The BPK's procedures and practice are in accordance with the International Standards of Supreme Audit Institutions (ISSAI). BPK has placed a strong emphasis on effective quality control system implementation, with a special role given to the Principal Inspector.

The NIK report underlined several strengths which seemed to be especially valuable in the fulfilment of BPK's mission, such as discipline and a respect for procedures; a strong IT unit and well-designed IT development strategy, including the e-audit initiative; and consistent and effective follow-up procedures, even though the size of the country and number of auditees made it difficult to monitor each case in-depth.

Krzysztof emphasized the audit reports: More than 60 percent of investigations conducted by the Indonesian Anti-Corruption Commission came from findings on BPK's audit reports. Many criminal cases investigated by the

Attorney General also stemmed from BPK’s audit findings.

Krzysztof advised BPK to present its comprehensive audit reports to the public via the internet. NIK’s main suggestions were for BPK to release more of their work to the public, to demonstrate the audit office’s value and benefit; to increase the proportion of auditor versus non-auditor staff; and to be more open to the media in publishing audit results.

Although NIK has conducted peer reviews for several audit institutions in Europe, the peer review in Indonesia was the first time it has conducted a review in Asia.

For additional information, contact the Audit Board of the Republic of Indonesia:

E-mail: asosai@bpk.go.id
 Website: <http://www.bpk.go.id>

Peru

Juvenile Auditors program

This year more than 50,000 students from Peruvian public schools will verify that their schools, municipalities, and/or local police stations are providing service in accordance with regulations. These students will offer recommendations to improve the management of these entities, for the benefit of their communities.

This activity is carried out as part of the “Juvenile Auditors” program. This program was created in 2010 by the Office of the Comptroller General of Peru, in strategic alliance with the Ministry of Education, to promote the participation of school children in the oversight of public activities and to serve as an effective and sustainable tool in the fight against corruption. The program’s primary objective is to



Students from the Juvenile Auditor program perform oversight activities in Peru’s public institutions.

contribute to the education of citizens during their formative years, as they develop their ethical and civic values.

How does it work?

As part of this program, high school students from participating schools choose a public institution where they will perform oversight proceedings. Those responsible for civic education programs—teachers and classroom tutors—are trained by the Office of the Comptroller General and organize the students’ oversight. They accompany students during the planning and execution process, through the development of the oversight report, and during the submission of observations and recommendations

to the institution. They also follow up on the implementation improvements suggested.

Improving public management

A positive impact on public management has been achieved in the 11 cities where, over the past four years, these student oversights have been performed. Data indicates that audited schools implemented at least seven of 10 observations made by the school auditors.

For example, the reactivation of stalled construction projects and the improvement of educational services were reflected in cleaner bathrooms, more classes being taught, and the

Progress of the Juvenile Auditors Program

Year	School Oversights	# of Juvenile Auditors	# of Teachers Trained	# of Participating Schools
2010	489	9,088	80	126
2011	532	32,016	211	86
2012	761	52,164	513	157
2013	929	56,159	521	236
TOTAL	2,711	149,427	1,325	605

implementation of better school libraries, among other relevant measures aimed at improving public works and services.

The three main components of the program:

1. Teachers' capacity development: training teachers, using activities such as in-person workshops or seminars, so they can transfer knowledge.
2. Overseeing schools: oversight activities and observation of services provided by public institutions, including public schools, municipalities, and police stations; students perform these activities with the close support of teachers and under the supervision of the Office of the Comptroller General.
3. Elaboration of teaching materials: creating guidelines and supplemental documents for the development of the program; one example is a teachers' manual, "Promoting Citizen Participation from Relations at School." The objective of this manual is to guide teachers through the process and practice of topics related to the functioning of the state, government control, the fight against corruption, and citizen participation.

For additional information, contact the Comptroller General of Peru:

E-mail: cooperacion@contraloria.gob.pe
Website: <http://www.contraloria.gob.pe>

Romania

150th Anniversary of the Romanian Court of Accounts

The Romanian Court of Accounts' anniversary celebration was attended by the President of Romania, the President of the Romanian Chamber of Deputies, the Vice-President of the Romanian Senate, members



Representatives from SAIs worldwide gather for the Romanian Court of Accounts' 150th anniversary celebration, held June 5-7, 2014.

of the Parliament, the Prime Minister of Romania and members of the Romanian Government, representatives of central public authorities and institutions, 28 delegations of Supreme Audit Institutions from abroad, and representatives from religious, academic, diplomatic, and media institutions. Among these guests were also foreign delegations representing members of EUROSAI and other regional groups of INTOSAI.

A new monograph of the Romanian Court of Accounts was released on the occasion of this important anniversary; this publication builds on information from a first edition, published by a team of historians in 2005. This monograph can be viewed on the official website of the Romanian Court of Accounts.

For additional information, please contact the Romanian Court of Accounts:

E-mail: international.romania@rcc.ro
Website: <http://www.curteadeconturi.ro>

Thailand

OAG promotes budgetary and financial disciplines

In 2010, the Office of the Auditor General (OAG) of Thailand set up its strategic plan 2011-2014. OAG strategies consist of three areas. First, OAG is striving to strengthen auditing capacity in each audit type. To achieve this, the OAG will focus on the preventive audit approach, a proactive strategy aimed at preventing corruption and sustaining public accountability. Second, it will develop a supportive system for audit tasks. Third, the OAG is working to improve public accountability in the organization.

The State Audit Act of Thailand enacts the *Budgetary and Financial Disciplines*. This tool empowers the Budgetary and Financial Disciplinary Committee (BFDC) to carry out preliminary considerations and determinations of administrative fines. These fines are to be inflicted upon agency officials and employees who violate state finance control measures.

In 2001, The State Audit Commission (SAC) promulgated the *Regulation of Budgetary and Financial Disciplines 2001*. These disciplines relate to the level of responsibility of the position of the person committing the disciplinary breach; the importance of the state finance control measure the violation breaches; the loss to government service; the intent of the person committing the disciplinary breach; and, the preliminary determination of the administrative fine.

The Disciplinary Finance and Monetary Office (DFMO), the secretariat of the BFDC, has launched a website at <http://dfmo.oag.go.th/> to provide information on the Budgetary and Financial Disciplines, the rules of procedure of the BFDC, the resolution of the BFDC, and statistics related to offenders.

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

E-mail: int_rela@oag.go.th
Website: <http://www.oag.go.th>

Turkey

Cooperation between the TCA and UAE's SAI

Within the framework of a protocol signed between the Turkish Court of Accounts (TCA) and the SAI of the United Arab Emirates (UAE) in 2013, a delegation from the TCA recently visited the SAI of the UAE.

A project is being implemented in the SAI of UAE which aims to identify how financial and compliance audit standards should be applied to meet the needs of SAIs. This project includes activities parallel to the ISSAI Research Project implemented in the TCA.



The President of the TCA, Associate Professor Dr. Recai Akyell, left, and the President of the SAI of the United Arab Emirates, Dr. Harib Al Amimi.

A Compliance Audit Manual Development Workshop, under the 3i Program of the INTOSAI Development Initiative (IDI), was held in Abu Dhabi on February 10 – 28, 2014, and the SAI of the UAE was the host of this workshop. Six ISSAI consultants from various regions of INTOSAI participated in this workshop, supported by specialists from INTOSAI's Compliance Audit and Financial Audit Sub-Committees. Principal Auditor A. Ömer Karamolloğlu

from the TCA attended this workshop as an ISSAI Consultant.

During the workshop, an extensive assessment of the INTOSAI Compliance Audit standards was made. An approach was then adapted to lessen the gap between the standards and their practice, considering the shortcomings in the standards' existing structure.

Cooperation between the TCA and Albania's SAI

Within the framework of a bilateral cooperation agreement signed between the TCA and the Albanian SAI in 2012, a training program on Information Systems (IT) audit was organized for Albanian auditors April 14-18, 2014. The training program was organized by the TCA's Audit Development and Training Center, and a delegation of 15 people, including auditors and senior auditors working at the Albanian SAI, attended.

For additional information, contact Turkey's Court of Accounts:

E-mail: int.relations@sayistay.gov.tr
Website: <http://www.sayistay.gov.tr>



An Albanian delegation visits the office of the President of the TCA, Associate Professor Dr. Recai Akyel.

Vietnam

SAI Vietnam celebrates 20th anniversary

On July 1, 2014, the State Audit Office of Vietnam (SAV) celebrated its 20th anniversary. In honor of the occasion, the State of Vietnam conferred the Second-Class Independence Medal on the SAV.

Since its inception in 1994, the SAV has made consistent strides in its organizational, institutional, and professional development. With a workforce of nearly 2,000 staff members, the SAV is now structured into 31 department-level affiliated units. Of these, eight specialized audit departments, seven advisory departments and three service units are at the central level, and 13 offices are at the regional level.

Article 118 of the new Constitution of Vietnam (2013) stipulates, for the first time, that “the State Audit Office shall be the agency established by the National Assembly, operate independently and abide only by the laws, with the function of auditing the management and use of public finance and assets.” The current State Audit Law (2005) will be revised accordingly and is expected to be passed by the National Assembly in 2015.

In its Development Strategy to 2020 (2010), and particularly in its Strategic Plan 2013-2017 (2013), the SAV sets as its priorities building the capacity of its staff and improving audit quality. Two of the top strategies to achieve these priorities include the application of IT in auditing activities and the implementation of ISSAIs. The Plan will also focus on assessing the economy, efficiency, and effectiveness of the management and utilization of public finance and assets. This will provide reliable, accurate, and timely information for the management and administration of Vietnam’s public finance and assets.

Based on audit findings, the SAV has made recommendations on revising and supplementing hundreds of legal documents and policies for better public finance and assets management. The audit reports published by the SAV serve as an important base for the allocation and settlement of the annual budgets of the central and local governments.

SAV holds press conference on audit results

On July 25, 2014, the SAV held a press conference to make public the results of its 2013 audits, as well as the follow-up reviews to its 2012 audit

recommendations. The event took place in conjunction with the National Assembly’s Financial and Budgetary Committee, as required by provisions under the State Audit Law.

In 2013, the SAV audited 2012 financial statements for 150 public sector entities and the State budget’s final 2012 account. Through the audits, the SAV made recommendations to the government and the Prime Minister regarding financial treatments. The SAV also proposed the revision and/or cancellation of 72 legal documents and policies, and transferred five suspected cases of legal violations to investigative agencies

Certain resolutions and policies were recommended by the SAV to the National Assembly to ratify the State budget final account for the year 2012, to correctly present the national revenues and expenses, and to closely manage the national resources.

For additional information, contact
State Audit Office of Vietnam

E-mail: vietnamsai@sav.gov.vn
Website: <http://www.sav.gov.vn>

What would you like to see in the Journal?

E-mail us at intosaijournal@gao.gov

<http://www.intosaijournal.org>

What is independence?

by Jean-Raphael Alventosa, Senior Adviser at the French Court of Accounts, former teaching director at the National School of Administration

Today, the main subject occupying the attention of Supreme Audit Institutions (SAIs) must be independence. The necessity of SAI independence is clearly stated in United Nations Resolution A/66/209: "the SAIs can accomplish their tasks objectively and effectively only if they are independent."

Why does an SAI need to be independent?

If our institutions are not truly independent, then they are not objective. Without objectivity, an SAI's recommendations are weakened and lack credibility.

The importance of how we define SAIs

The traditional definition of an SAI is based on three elements:

1. There must be a law or other formal act that officially mandates the institution. (This is based on the first principle of ISSAI 10.)
2. The institution must be "superior," exerting a kind of ultimate control. What does "superiority" mean? This is a political notion, since it is relative: An entity is considered "superior" in relation to something else being considered "inferior." This relational position is based on a value judgment, rendering this criterion ambiguous and fragile.
3. The SAI must respect the eight principles from INTOSAI's ISSAI 10: The Mexico Declaration on SAI Independence, regarding status, resources, appointments, planning, access to information, communication of results, publication, and monitoring of recommendations.

Pillars of SAI Independence

Although the eight pillars of independence are essential, they must not be just pious hopes or simple formal texts. They must be rendered more tangible than mere ideals; they must be backed up by corresponding actions.

Status

From ISSAI 10: *"The existence of an appropriate and effective constitutional/statutory/legal framework and the de facto application provisions of this framework"*

It is better if status is reinforced by a constitution, a law, or a well-established tradition, but is even that enough? In the matter of status, the absence of any subordination of SAIs is crucial. The best system is one devoid of dependence, or one that is accountable to citizens. The subordination of the Public Accounts Committee is only acceptable if, as the British established a few centuries ago, its head is different from that of the parliamentary majority. Being subordinate to the head of state is only acceptable if the head of state has no power, i.e., is a representative or ceremonial head of state.

editor's note

According to the Strategic Plan of EUROSAI for 2011-17, a highlighted objective is to take active steps to strengthen and support SAI independence. To enhance this objective, the French Court of Accounts and the State Audit Office of Hungary organized a Seminar on Independence of Supreme Audit Institutions held March 28, 2014 in Budapest. The author of this article was a presenter and facilitator at that seminar; this article reflects his views and opinions.

Resources

From ISSAI 10: *“Financial and managerial/administrative autonomy and the availability of appropriate human, material and monetary resources”*

What is real financial independence? For example, what resources are allocated, and according to which organization; what profiles are required for recruiting; and/or what level of equipment is provided? These resources should not be easily modifiable, and should be closely monitored.

Appointments

From ISSAI 10: *“The independence of SAI heads and members of collegial institutions, including security of tenure and legal immunity in the normal discharge of their duties”*

Who is appointed? The absence of any conflict of interest concerning appointments is paramount. For the majority of European SAIs, it is impossible to be appointed to responsible positions after having been a member of a government or of a political party. Where this is indeed possible, restrictive conditions are imposed, and/or a minimum period of time must be observed between positions.

Who appoints? The most ironclad system of appointment is that of a pluralist approach: recruitment, confirmation (by a parliament on a consensual basis), and appointment (by the head of state in cabinet session).

From a political point of view, appointment by simple majority in the parliament, which is the general rule in Europe, would seem to be less protective than would be an election by a qualified majority (for example, a two-thirds majority).

The length of office can be another sensitive point. If the term is too short, independence is fragile. If it is too long, then routine or collusion can take hold. And unless senior officers have the status of magistrates, their immunity must be guaranteed at the highest possible level in order to ensure objectivity.

Planning

From ISSAI 10: *A sufficiently broad mandate and full discretion, in the discharge of SAI functions*

What is the SAI's relationship with parliament: is it subordinate? How can the level of self-censorship exercised by the SAI be measured? Two points should be recognized. First, an SAI that is not able, beyond what the parliament and other stakeholders ask from it, to freely investigate—with sufficient scope—whatever issues it considers appropriate, cannot be considered independent.

Second, this ability to investigate must be subject to a guaranteed and verified consensual decision, whether taken individually or collectively. Neither the authoritarianism of an individual nor the collusion of a group can be accepted.

The organization of an SAI's internal structure is also important. Two mechanisms need to be checked: 1) the definition of consensual positions (even if the final decision rests with a single head) and 2) the type of work undertaken (financial audit, performance audit, routine audit, ability to hand down sanctions with or without judgments) must be guaranteed.

Access to information

From ISSAI 10: *Unrestricted access to information*

In many countries, numerous sectors are exempt from control by SAIs. People would say that this is not the case in Europe, but can we be sure? For example, do European SAIs have access to public accounts in a timely fashion?

Communicating results, publication of results, and monitoring of recommendations

From ISSAI 10: *The rights and obligation to report on their work; the freedom to decide the content and timing of audit reports and to publish and disseminate them; the existence of effective follow-up mechanisms on SAI recommendations*

These final three official characteristics of independence also need to be free of any influence. But why stop here? What about the freedom to hand out sanctions? If our recommendations have no real effect, what are they worth?

And finally, who audits the auditors? International resources such as the INTOSAI Development Initiative's "framework for performance measurement" are yet to be tested, and are based on a quantitative scoring mechanism. So should the SAIs open their doors to other inspectors? To private firms? To parliamentary committees? Will SAIs one day be required to certify their auditors in the use of ISSAI standards?

How we move forward

The first question might be obvious: is it feasible to create a summary of the best criteria, and arrive at the ideal SAI for the 21st century? Are we capable of establishing, for each criterion, the highest point of independence, in a rigorous and pluralist debate? This politico-judicial question is an important one to ask. But we cannot yet provide a definitive answer: INTOSAI envisions this examination as part of the agenda of the "Value and Benefits of SAIs" working group, which has begun discussion but is not yet fully developed.

The second question is slightly provocative: is it possible to know the reality of the status of our SAIs? Such an analysis needs to go to the heart of an institution's functioning to determine the real level of independence. Peer reviews can be a good start toward learning more; however, peer reviews are not audits, and their observations can be general when we require specific information. In the end, perhaps it is conceivable to establish a valuation system with, for example, triple As and triple Bs.

Finally, if there is a problem of dependence, what can be done? First, we can revise constitutions that define the status of an SAI. Second, the reform of SAI governance (work on standards and audit types, for example, and on human relations and the creation of performance indicators, on audit rules and ethics, and on quality) is our own responsibility, one that requires courage.

There are those who will say that this is a political question beyond our competence. To those people, we should ask just one question: is the public organization of society, over which we have the right of audit, not part of our responsibility?

One practical problem to consider is the risk of confusing roles. For example, certain politically influenced institutions give lessons to other SAIs, or SAIs handling internal controls advise others on methodology for external inspections.

Finally, leaving aside all other declarations—all reassuring and pro domo—one can understand why independence has to be won.

For additional information, contact the French Court of Accounts at courdescomptes@ccomptes.fr

To learn more about SAI independence:

- ISSAI 10: The Mexico Declaration on SAI Independence is available online at <http://www.intosai.org/issai-executive-summaries/view/article/issai-10-the-mexico-declaration-on-sai-independence-eger.html>
- Presentations from the EUROSAI seminar on Independence held March 28, 2014, in Budapest, Hungary, can be reviewed at <http://www.eurosai.org/en/training/training-events-and-outputs/Seminar-on-Independence>

Auditing cash-basis IPSAS financial statements

by Frans van Schaik, University of Amsterdam, Deloitte Accountants, former IPSAS Board member

A growing number of countries around the world apply the cash-basis IPSAS (International Public Sector Accounting Standards) when preparing government financial statements. For supreme audit institutions (SAIs) the adoption of the cash-basis IPSAS is a welcome development, as the International Standards of Supreme Audit Institutions (ISSAI 1210, § A8) list IPSAS as an acceptable general purpose financial reporting framework. This article deals with some of the challenges faced by SAIs when auditing cash-basis IPSAS financial statements.

Compliance with the requirements as well as the encouragement of the cash-basis IPSAS (*IPSAS – Financial Reporting under the Cash Basis of Accounting*, <http://www.ifac.org/sites/default/files/publications/files/financial-reporting-under-t.pdf>) enhances comprehensive and transparent financial reporting of the cash receipts, cash payments, and cash balances of the government. Compliance will also enhance comparability of the government's financial statements with the financial statements of other governments applying the cash-basis IPSAS.

Governments in developing countries usually adopt the cash-basis IPSAS as a stepping-stone towards the adoption of the accrual-basis IPSAS standards. The primary statement under the cash-basis IPSAS is the statement of cash receipts and payments. Many governments prepare financial statements on an accounting basis somewhere in between cash accounting and accrual accounting. Information regarding a modified cash basis or a modified accrual basis can be maintained under the cash-basis IPSAS, if relegated to the notes of the financial statements. By adopting the cash-basis IPSAS, and following the International Public Sector Accounting Standards Board's (IPSASB) encouragement to prepare the statement of cash receipts and payments in the format of a cash flow statement, the government effectively complies with IPSAS 2 *Cash Flow Statements*, a standard from the accrual suite of IPSAS standards (<http://www.ifac.org/sites/default/files/publications/files/ipsas-2-cash-flow-stateme.pdf>).

Adoption of the cash-basis IPSAS

The cash-basis IPSAS is equally suitable for central governments and local governments. Examples of central governments applying the cash-basis IPSAS are Burkina Faso, Fiji, Liberia, Mauritius, Nigeria, Seychelles, Sierra Leone, Solomon Islands, and Timor-Leste. An example of a local government applying the cash-basis IPSAS is the provincial government of Punjab in Pakistan. Not all of these governments fully comply with the cash-basis IPSAS, as yet. A list of governments adopting IPSAS is available on the website of the IPSASB, at <http://www.ifac.org/public-sector>.

Cash-basis IPSAS standard

IPSASs are promulgated by the IPSASB under the auspices of the International Federation of Accountants (IFAC). IPSASB prepares accounting standards for both accrual-basis and cash-basis accounting. Cash-basis accounting means a basis of

accounting that recognizes transactions and other events only when cash is received or paid. The cash-basis IPSAS prescribes the manner in which the general purpose financial statements are to be presented under the cash-basis of accounting. IPSAS has dealt with the cash-basis through the development of a single standard.

The cash-basis IPSAS comprises two parts. The first part, which is mandatory, sets out the requirements that must be complied with by entities which claim to be reporting in accordance with the cash-basis IPSAS. The optional second part of the standard identifies additional accounting policies and disclosures that an entity is encouraged to adopt in order to enhance its financial accountability and the transparency of its financial statements. This second part also includes explanations of alternative methods of presenting certain information.

According to the cash-basis IPSAS, an entity should prepare and present general purpose financial statements which include the following components:

- Statement of cash receipts and payments, which recognizes all cash receipts, cash payments, and cash balances controlled by the entity and separately identifies payments made by third parties on behalf of the entity;
- Accounting policies and explanatory notes; and
- Comparison of the government's publicly available budget and actual amounts (budget execution statement), and explanations of differences between budget and actual (similar to IPSAS 24 *Budget Information in the Financial Statements*, http://www.ifac.org/sites/default/files/publications/files/A33%20IPSAS_24_0.pdf).

The cash-basis IPSAS requires all accrual accounting information to be moved to the disclosures—the statement of assets and liabilities prepared by many governments in developing countries should not be presented as one of the primary financial statements, but as a note disclosure. Because of the hybrid nature (partly cash, partly accrual) of this statement, it is not in accordance with the cash-basis, a basis of accounting that recognizes transactions and other events only when cash is received or paid.

If an entity intends to migrate to the accrual basis of accounting, IPSAS encourages presenting a statement of cash receipts and payments in the same format as that required by IPSAS 2 *Cash Flow Statements* (see <https://www.ifac.org/sites/default/files/publications/files/ipsas-2-cash-flow-stateme.pdf>). The cash-basis IPSAS encourages entities to present a cash flow statement that reports cash flows classified by operating activities, investing activities, and financing activities.

Challenges faced by supreme audit institutions

The main challenges faced by supreme audit institutions when auditing cash-basis IPSAS financial statements are threefold. First, there is the requirement for the government to consolidate all government-controlled entities; this significantly widens the scope of the audit. Second, there is the IPSAS-requirement to report third party-payments (payments from a donor directly to a supplier), making supreme audit

institutions express an opinion on cash flows outside the audited reporting entity. Finally, since the cash-basis IPSAS is a fair presentation framework, the SAI needs to assess whether the government provides all additional information necessary for a fair presentation of the entity's cash receipts, cash payments, and cash balances. We will deal with each of these challenges in the following sections.

Consolidation and group audits

IPSAS requires recognition of all cash receipts, cash payments, and cash balances controlled by the government. Control of another entity for financial reporting purposes is defined as the power to govern the financial and operating policies of another entity so as to benefit from its activities. In order to comply with the reporting entity definition in IPSAS, governments need to extend the reporting entity beyond the budget sector.

Controlled entities may operate different accounting bases than those used by the central government. For example, government business enterprises are likely to apply accrual accounting principles, perhaps in compliance with International Financial Reporting Standards (IFRS). Included within most accrual accounting frameworks, including IFRS, is the requirement to produce a cash flow statement—this statement can be used to compile consolidated cash-basis IPSAS financial statements.

The preparation of consolidated financial statements requires the elimination of all inter-entity transactions. The cash-basis IPSAS requires that when accounts are prepared at the government level, the transactions within departments of the government included in the consolidation are eliminated. Any inter-entity balances need to be reconciled and any unexplained differences need to be straightened out. Auditing the eliminations, if material, poses a challenge to the auditor since controlling entities and controlled entities do not usually keep track of these inter-entity transactions and balances.

Consolidated financial statements will expand the scope of work of the SAI considerably. This is because the audit opinion will cover the consolidated financial statements of the government, including all entities controlled by the government such as agencies and state-owned enterprises (referred to by IPSAS as government business enterprises). The auditor will effectively conduct a group audit, for which guidance is provided by the ISSAI 1600 *Special Considerations – Audits of Group Financial Statements* (http://www.issai.org/media/13124/issai_1600_e_.pdf). ISSAI 1600 deals with special considerations that apply to group audits, in particular those that involve component auditors. In this case the SAI serves as the group auditor and the component auditors are the auditors of the public enterprises and other controlled entities. In accordance with ISSAI 1220 *Quality Control for an Audit of Financial Statements*, the SAI (the 'group engagement partner') is required to be satisfied that those performing the group audit engagement, including component auditors, collectively have the appropriate competence and capabilities. The group engagement partner is also responsible for the direction, supervision, and performance of the group audit engagement.

Auditing third-party payments

IPSAS requires separate disclosure of total external assistance paid by third parties to directly settle obligations of the government, or purchase goods and services on behalf of the government. An example is a development bank that pays directly to a building firm for an infrastructure project, and then advises the government's debt unit about the drawdown of the loan. In accordance with the standard, the statement of cash receipts and payments provides a separate column showing payments by third parties. Auditing these third-party payments may be a challenge for SAIs, because transactions made by third parties on behalf of the government are frequently not systematically identified. For example, projects directly paid for by the donor may not be captured through the accounting and reporting system. Also, information received from donors may be incomplete. However, the standard states that these disclosures should only be made when, during the reporting period, the entity has been formally advised by the third party or the recipient that such payment has been made, or has otherwise verified the payment. This means that if these third party payments have been made, but the entity has not been formally advised and has not otherwise been able to verify these payments, the financial statements are nevertheless compliant with the cash-basis IPSAS.

Cash-basis IPSAS: fair presentation framework or compliance framework

When expressing an unmodified opinion on financial statements in accordance with the ISSAI 1700 *Forming an opinion and reporting on financial statements* the auditor may use one of the following phrases:

- The financial statements *give a true and fair view of (or: present fairly)*, in all material respects, ... in accordance with [the applicable financial reporting framework]; or
- The financial statements *are prepared*, in all material respects, in accordance with [the applicable financial reporting framework].

Which one of these phrases the auditor should use depends on whether the accounting framework applied is a fair presentation framework or a compliance framework. An accounting framework is a fair presentation framework if it acknowledges explicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide *disclosures beyond* those specifically required by the requirements in a standard (IPSAS 1, paragraph 27, 29) or to *depart from* a requirement in a standard (IPSAS 1, paragraph 31). Either one of these suffice for the framework to be a fair presentation framework.

The cash-basis IPSAS does not state that in the extremely rare circumstances in which management concludes that compliance with a requirement in an IPSAS standard would be so misleading that it would conflict with the objectives of financial statements, the entity shall depart from that requirement if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure. However, the

cash-basis IPSAS acknowledges explicitly that the notes to the financial statements of an entity should provide additional information which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity's cash receipts, cash payments, and cash balances (Cash-basis IPSAS, paragraph 1.3.30, b).

The cash-basis IPSAS therefore qualifies as a fair presentation framework rather than as a compliance framework in accordance with ISSAI 1700 *Forming an opinion and reporting on financial statements* (http://www.issai.org/media/13148/issai_1700_e_.pdf). When the audit is conducted in accordance with the ISSAIs, and the financial statements are prepared in accordance with the cash-basis IPSAS, the auditor may state that these financial statements 'present fairly' in accordance with the cash-basis IPSAS.

As part of his/her audit, the auditor should therefore establish that the financial statements provide disclosures beyond those specifically required by the cash-basis IPSAS, considered necessary for a fair presentation of the entity's cash receipts, cash payments, and cash balances. An example may be the building up of arrears to suppliers, because deferred spending reduces spending now but increases it later.

Conclusion

The adoption of IPSAS by a government will improve both the quality and comparability of the financial reporting of the cash receipts, cash payments, and cash balances of the entity. By applying the cash-basis IPSAS, the government also broadly complies with two important standards from the accrual suite of IPSAS standards: IPSAS 2 *Cash Flow Statements* and IPSAS 24 *Budget Information in the Financial Statements*. Because the cash-basis IPSAS constitutes a fair presentation framework, the SAI may issue an audit opinion stating that these financial statements give a true and fair view of the cash receipts, cash payments, and cash balances of the government in accordance with the cash-basis IPSAS.

The integration of public college and university graduates into the employment market: an audit by the SAI of Slovakia

by Peter Kapuscinský, Ladislav Kolláth and Imrich Gál, Supreme Audit Office of the Slovak Republic

For any society, education is a crucial need and goal, both on a collective and individual basis. In 2010, European Union (EU) member states and the European Commission agreed to incorporate education as one of the key elements of the Europe 2020 Strategy to become a smart, sustainable, and inclusive economy.

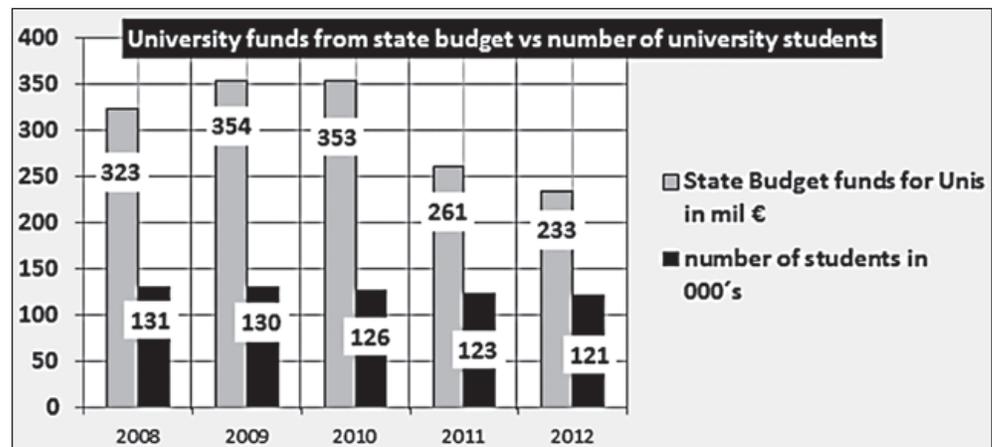
The EU member states spend significant resources on education; however, these resources are not spent in a balanced manner. In 2012, education-related expenditures in 27 EU member states were at 5.3 percent of the EU member states' GDP; the highest expenditures were in Denmark (7.9 percent of its GDP) and Sweden (6.8 percent of its GDP). In European Free Trade Association (EFTA) member states, Iceland recorded the highest expenditure, of 8 percent. Slovakia's expenditure was 3.9 percent.

In 2012, Slovakia's public universities and colleges (SPUC) were assigned 441 million euros from the state budget; this sum was ultimately increased to 453 million euros.

Facts about the audit and auditees

The number of students attending SPUCs, related to the funds assigned to SPUCs in the state budget and the graduates' success rate in entering the employment market, has shown structural imbalances for a while. This imbalance prompted the SAI of Slovakia to dedicate an audit to this issue.

State budget funds to ten selected SPUCs, and student numbers at these SPUCs, is shown below:



The audit was performed between May and December of 2012. The auditees were the Ministry of Education, Science, Research and Sports (Ministry), and 10 of Slovakia's 20 public universities and colleges. The audited SPUC students represented nearly 65 percent of all SPUC students in 2010-2012.

The audit was a combined performance and compliance audit and was performed by 22 auditors from the SAI of Slovakia's headquarters and its eight regional offices. The audit team worked out a preliminary study, and while preparing for the audit, the team looked for identical or similar audits conducted in Central Europe. Several websites of SAIs in the region were examined, and it was noted that this audit would likely be unique.

Funding for SPUCs is performed according to the 2002 Law on Universities and Colleges. From 2002 until the time this audit was performed, this law was amended 29 times. Altogether there were more than 25 jurisprudence acts of various forces ranging from law to regulation, order, or decree devoted to the topic of public universities and colleges. From 2002 to 2013, the Ministry had seven Ministers. In July 2014 a new Minister was appointed. Although this change in personnel had no relation to these audit results, it did add to the instability and complexity of a system that tends toward opacity and vagueness.

At the time of audit, the employment market was offering no more than one thousand jobs for graduates. For example, in the second quarter of 2013, the number of unemployed graduates was greater than 27,000 and that was 6.3 percent of the total number of unemployed workers. This reflects a long-standing reality of Slovakia's employment market, and SPUCs funded from the state budget produce new employment seekers without having performed a meaningful analysis of the job market needs.

SPUCs graduates' length of unemployment in 2007 – 2011

Length of time	Registered unemployed graduates									
	to 31.5.2007	to 30.9.2007	to 31.5.2008	to 30.9.2008	to 31.5.2009	to 30.9.2009	to 31.5.2010	to 30.9.2010	to 31.5.2011	to 30.9.2011
	Number of graduates									
up to 3 months	3,049	866	2,424	968	4,474	1,614	2,518	1,508	3,125	1,420
between 3 and 6 months	86	1988	84	1 822	204	4312	269	4,582	274	4,925
between 6 and 12 months	211	35	187	43	357	103	793	140	957	153
more than 12 months	78	69	66	70	73	110	275	230	312	313
TOTAL	3,424	2,958	2,761	2,903	5,108	6,139	3,855	6,460	4,668	6,811
	Percentage									
up to 3 months	89.0	29.3	87.8	33.3	87.6	26.3	65.3	23.3	66.9	20.9
between 3 and 6 months	2.5	67.2	3.0	62.8	4.0	70.2	7.0	70.9	5.9	72.3
between 6 and 12 months	6.2	1.2	6.8	1.5	7.0	1.7	20.6	2.2	20.5	2.2
more than 12 months	2.3	2.3	2.4	2.4	1.4	1.8	7.1	3.6	6.7	4.6
TOTAL	100	100	100	100	100	100	100	100	100	100

Source: Study prepared by the audit team based on data from the Office of Labour, Social Matters and Family, Social Security Office, Business Register, and Trade Register.

Audit Findings

The following conclusions are based on the findings analysis:

- In the academic years 2010/2011 and 2011/2012, 6,359 graduates (15.3 percent) did not enter the employment market; that meant that based on an average expense for one SPUC graduate of 8,750 euros (1,750 euros per year for five years), the short-term ineffectiveness of the state budget funds was 55,570, 000 euros.
- Based on a questionnaire published on the SAI Slovakia's website (1,298 questionnaires were filled out and assessed), 49 percent of graduates found some type of employment in the field they had studied, and 15.4 percent of graduates were using their acquired knowledge; 26.3 percent of graduates received fulltime employment in their studied field.
- The Ministry assigned funds to SPUCs according to the number of students enrolled—other criteria were marginal. Funding based on student numbers did not take into account the SPUCs' quality of education; scientific and research activities; or the employment rate of SPUC graduates.
- The methodology of finance allocation had a defined coefficient of graduate employability; however, not enough weight was assigned to it. When setting the graduate employability coefficient, the SPUCs used data on graduate unemployment that was different than the data discovered by the auditing team. The auditing team checked 42,210 graduates in 870 study programs at ten SPUCs for the academic years 2010/2011 and 2011/2012. According to the SPUC's methodology, the fraction of unemployed graduates during these time periods was 2.7 percent; according to the audit team, it was 15.3 percent.
- After concluding their studies, the graduates' employability was as follows: 20 percent took up to three months to find work, and 70 percent took up to six months. Long-term unemployment (more than 12 months) was registered as 3.2 - 4.3 percent.
- The correlation between the job market and the number of graduates is unsatisfactory, and this imbalance results in an overproduction of unemployable graduates.
- Data from the Social Security Office, the Business Register and the Trade Register confirmed that there are graduates who could not find employment in their studied fields.
- The present mechanism of allocating funds for individual SPUCs does not fully address the successful placement of the graduates in the job market.
- There is no plan to adjust student numbers based on actual domestic employment needs. While a graduate may be trained for a professional career, this readiness does not guarantee his or her ability to find a position in the chosen field.
- Relationships among students, lecturers, unemployed graduates, and allocated current expenses did not show any elements of linear dependability; at

comparable levels of individual indicator value, the unemployment numbers varied considerably.

- The statistical summaries on employment did not provide an objective overview of graduates' professional job placement.
- The Ministry did not ask SPUCs to monitor and evaluate the indicators of the factual and financial fulfilment of the programs' structure, goals, and measurable indicators – and the failure to do so was in opposition to the Law on Budgetary and Financial Regulations.
- Some goals with measurable indicators were not realistic or capable of being met, such as a goal to achieve a graduate unemployment rate of less than 0.5 percent of all unemployed workers by the end of 2012.

In 2010, the Ministry prepared a document, “Long-term plan for education, research, development, artistic and other creative activities for SPUCs up to 2014,” that was approved by the government. The Ministry was to meet goals, prepare an annual report on goals and tasks fulfilment, and provide tables of long-term plan updates. The cited tasks fulfilment was not secured because after the Parliamentary elections in June 2010 the incoming government aborted the tasks. The audit team stated that measures to secure the SPUCs' educational goals were not defined, the complex amendment of the Law on Universities and Colleges from 2002 was not performed, and the funds allocated to the SPUCs by the Ministry were not defined in relation to job market needs.

The Ministry does not involve itself in the creation of new or existing student programs—this area is exclusively self-governed by the SPUCs. The SPUCs perceive the college and university education and new study program as fully reflecting the needs of the job market on regional and national levels, despite the fact that job indicators and the employability of graduates demonstrate a different trend.

SAI recommendations

1. Review the methodology of funding allocations to the SPUCs and consider giving preferential treatment to those SPUCs whose graduates demonstrably find employment;
2. Re-evaluate the existing goals of the Ministry sub-program, and set new goals that reflect society's actual needs;
3. Develop and apply tools to secure up-to-date and reliable data to monitor the graduates' placement in the job market;
4. The Ministry should assess and adjust the ways it allocates funding in such a manner that the employment rates of the SPUC's graduates are supported;
5. Re-evaluate the National Reform Program of the Slovak Republic for the upcoming period according to the Manifesto of the Slovak Republic Government for 2012 – 2016; and

6. Create interconnectedness among the SPUCs and relevant Work, Social Affairs and Family Offices in such a way that SPUCs would have online access to factual data regarding graduates' job market placement. This recommendation anticipates cooperation with the Ministry through an enlarged functionality of the Employment Services Information System.

The Ministry adopted measures based on the SAI of Slovakia recommendations. Their fulfilment will be reported during 2014.

For more information, please contact the SAI of Slovakia at info@nku.gov.sk.



INTOSAI- *Donor Cooperation* *Update*

Evaluation of the INTOSAI Donor Cooperation: Assessing initial results to facilitate future achievements

Independent evaluation of the INTOSAI-Donor Cooperation initiated by the Steering Committee

In 2009 a Memorandum of Understanding (MoU) was signed by INTOSAI and 15 development partners (Donors), establishing the partnership known as the INTOSAI-Donor Cooperation (the Cooperation). Today a total of 21 partners are involved in the Cooperation. The purpose of the Cooperation is to improve supreme audit institution (SAI) performance in developing countries, through scaled-up and more effective support. One intended outcome of this support is to strengthen, in accordance with agreed aid effectiveness principles, the behavior of both SAIs and donors involved in SAI support.

An independent evaluation of the Cooperation was included in the INTOSAI-Donor Cooperation work program for 2013-15, as agreed by the Steering Committee in London in October 2012. The evaluation of the INTOSAI-Donor Cooperation is, perhaps, the first time INTOSAI has engaged in an evidence-based, external evaluation that examines, drawing on both global and SAI-level evidence, the performance of an initiative. The decision to undertake this assessment reflects the importance the Cooperation places on conducting these evaluations to generate robust evidence that strengthens the future provision of support to SAIs in developing countries.

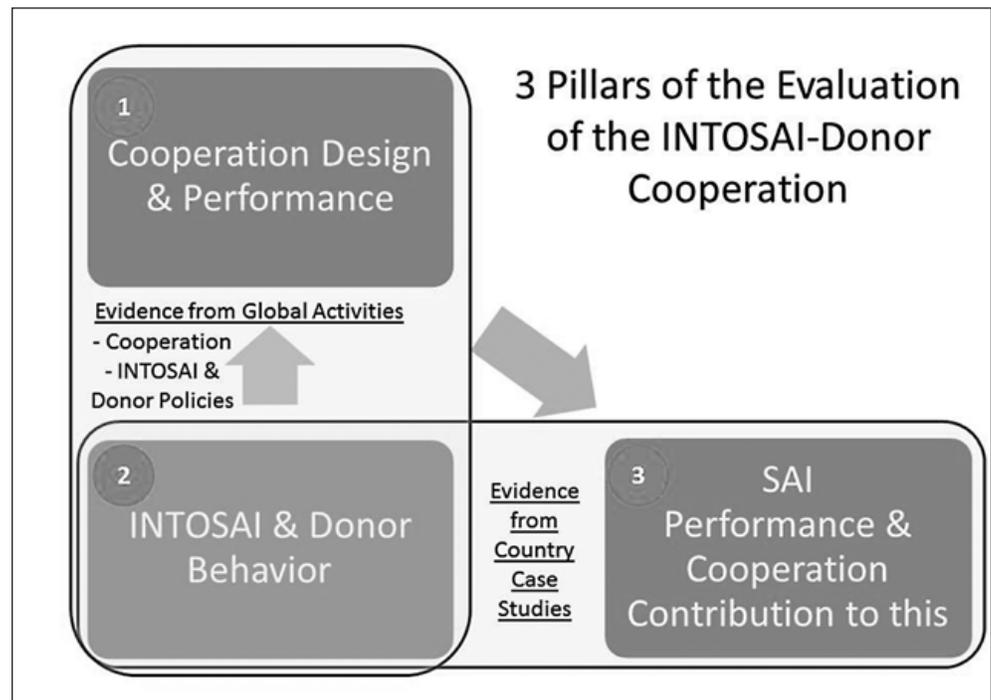
Ecorys, an international consultancy organization, was chosen to carry out the evaluation. This selection was made using an internationally competitive procurement process. Ecorys is experienced in conducting external evaluations and supporting public financial management (such as SAIs) in developing countries.

The Cooperation has been operational for four years. While some early results are already visible, the evaluation must recognize that the Cooperation is still at an early stage. However, members of the Steering Committee have agreed that an evaluation at this stage will contribute in two ways. First, the evaluation will assess the initial results the Cooperation has thus far achieved. Second, it will identify lessons learned. These lessons can then be used to inform future decision making regarding the Cooperation.

Given the short period the Cooperation has been operational, it will be important that, in order to add value, the evaluation is able to link these two objectives.

The INTOSAI-Donor Cooperation Steering Committee has agreed upon an evaluation framework to guide the evaluation. The framework suggests a set of evaluation criteria, possible evaluation questions, and judgment criteria. The evaluation of the Cooperation will be structured as three pillars, and the evaluation criteria and questions are developed under each pillar:

- Pillar 1 measures the design of the Cooperation—activities, reported results, and overall governance arrangements—against principles established in the Cooperation MoU.
- Pillar 2 evaluates the behavior of SAIs and Donors against these same principles, and assesses the Cooperation’s contribution to changes.
- Pillar 3 evaluates changes in the performance of SAIs in developing countries, and seeks to identify the Cooperation’s contribution to these changes.



There are methodological challenges when evaluating global support initiatives such as the INTOSAI-Donor Cooperation. The design for the evaluation must consider the impact of external factors, as well as the short timeframe of the Cooperation’s existence and the lack of a counterfactual (*what would have happened in the absence of the Cooperation*) for comparison of results.

These evaluation challenges will be met by applying theory of change analysis: First, by analyzing the processes through which the activities of the Cooperation are assumed to influence the behavior of donors and SAIs, and the performance of SAIs. Second, by gathering evidence to identify whether these processes occurred in practice.

Methods for gathering data will include:

1. Examining stakeholder views
2. Conducting in-depth country case studies
3. Conducting further desk-based case studies
4. Synthesising case study results
5. Undertaking qualitative comparative analysis to identify necessary and sufficient criteria for contributing to SAI performance improvements.

The different forms of evidence will be triangulated to strengthen the robustness of the conclusions.

The proposed evaluation approach was discussed with the evaluators at the seventh Steering Committee meeting of the INTOSAI Donor Cooperation in Paris, September 16, 2014. The evaluation will be a major focus for the Cooperation for the next eight months, and a final report is expected by the end of April 2015. The INTOSAI-Donor Steering Committee encourages all SAIs to participate as required—by sharing documents, participating in surveys and interviews, and assisting with country case studies—to ensure this evaluation is effective. The evaluation's findings will play a major role in assessing how the INTOSAI and Donor communities have lived up to the principles agreed upon in Brussels five years ago, and in shaping the future of the Cooperation.



AFROSAI WGEA: 4th Annual meeting held in Kenya

Co-organized by its Secretariat and the SAI of Kenya, AFROSAI WGEA held its fourth annual meeting May 26-31, 2014, in Mombasa, Kenya.

This meeting brought together about 100 participants representing SAIs (including 12 heads of SAIs) and other organizations from twenty-eight African, European, and Asian countries. The objective of the meeting was to improve participants' knowledge of best practices and standards applied in environmental audits, and to allow them, after discussion and exchanges, to share relevant knowledge and experiences..

The opening ceremony was chaired by the head of the SAI of Cameroon, Mr. Henri Eyebe Ayissi, who also serves as Chairman of AFROSAI WGEA. He was accompanied by Mr. Edward Ouko, Auditor General of Kenya; a representative of the Minister in charge of Environment, Water and Natural Resources of Kenya; and Mr. Edward Simanjuntak of the SAI of Indonesia, who was representing the President of INTOSAI WGEA.

A consistent topic that emerged during the various speeches, remarks, and presentations was the need to ensure that socio-economic development in Africa takes into account the necessity of proper management and conservation of the environment. To this end, participants stressed, SAIs have an important role to play, through their oversight and advice. However, they can be effective only after they achieve a good knowledge of standards, methodologies, tools, and best environmental auditing practices.

During the three days of the meeting, participants discussed the following topics:

- The various dimensions of environment
- The trends and latest developments in environmental auditing
- AFROSAI WGEA's draft Work Plan 2014-2016
- Natural resources, waste, and water issues
- Environmental governance and the impact of human activities on the environment
- Air pollution, wetlands management, and the management of ecosystems
- The experiences of other Regional Working Groups

The meeting was also attended by technical and financial partners such as those from the Federal Republic of Germany Cooperation Body (GIZ), the Canadian Comprehensive Audit Foundation (CCAF), the African Development Bank (ADB), the United Nations Environment Program (UNEP), the United Nations Food and Agriculture Organization (FAO), the World Wide Fund for Nature (WWF), the Extractive Industries Transparency Initiative (EITI), the National Environment Management Authority of Kenya (NEMA), and the United Nations Fund for Population Activities (UNFPA).

Resolutions

After discussions on no less than 41 presentations delivered during the meeting, the following resolutions were made:

- To increase the impact of their Environmental Audit reports, SAIs are invited to coordinate their efforts and consider their environmental problems in a global manner, so as to always establish the link that exists between the environment, the economy, and society.
- The AFROSAI-WGEA 2014-2016 Work Plan was approved.
- SAIs are encouraged to continuously build their capacities in environmental matters by participating in INTOSAI and AFROSAI WGEA's training events, as well as the training opportunities offered by the International Center of Environmental Audit and Sustainable Development (ICED) hosted by SAI India.
- Regarding the Cooperative Audit on River Nile envisaged in the 2014-2016 Work Plan, the AFROSAI-WGEA Secretariat shall undertake consultations with the Council of Ministers of the River Nile Basin Commission, and the 10 SAIs involved, to consider the feasibility of this cooperative audit.
- The SAIs concerned, in collaboration with the AFROSAI-WGEA Secretariat, will develop a cooperative audit project on the River Niger Basin to be submitted for approval by the Steering Committee of AFROSAI-WGEA before the Fifth Annual Meeting.
- The AFROSAI WGEA Steering Committee was elected, and now includes the following SAIs: Cameroon as Chair, the Democratic Republic of the Congo, Egypt, Kenya, Morocco, Niger, and Zambia.
- The Fifth AFROSAI WGEA Annual Meeting will take place in Morocco in 2015.
- The Secretariat shall finalize discussions with SAI Nigeria on the venue of the Sixth Annual Meeting.

Understanding the need for environment protection

Participants at AFROSAI WGEA's Fourth Annual Meeting took part in an environmental excursion organized for them by their host, SAI Kenya. Environmental auditors visited the Marine Park site and appreciated the diversity of Kenya's marine fauna and flora. Participants were also struck by the longevity of sea turtles, many of which are centuries old. For many participants, seeing the turtles reinforced the need for African development strategies—otherwise, future generations might only know of the existence of certain species by viewing pictures in a book, rather than by seeing the animals themselves.

To learn more about AFROSAI WGEA, visit <http://www.environmental-auditing.org/Home/RegionalWorkingGroups/AFROSAI/tabid/116/Default.aspx>

EUROSAI

Seeing innovation as an indispensable key to the future

IX EUROSAI Congress at a Glance

- IX Congress hosted by the Netherlands Court of Audit in The Hague, the Netherlands, June 16-19, 2014.
- Theme: Innovation
- During the IX Congress, the Netherlands assumed the three-year EUROSAI presidency from Portugal.
- EUROSAI is the European Organization of Supreme Audit Institutions. It was established in 1990 and currently has 50 members (the SAIs of 49 European states and the European Court of Auditors). The permanent Secretary-General of the EUROSAI is the SAI of Spain.

In a world of rapidly evolving communications tools, where reams of open data are altering the meaning of public information, supreme audit institutions (SAIs) are confronting a choice: to keep pace with technological and societal shifts, or risk losing their relevancy. The challenge for SAIs is to adapt in ways that will not sacrifice either quality standards or a commitment to transparency. SAIs conduct their work to facilitate improvements in government operations; but, if their reports are not widely read, shared, or understood, what kind of impact can they have?



EUROSAI Congress organizers posed this question to participants: “When was the last time you did something for the first time?”

Delegates debated various ways to address this issue at the IX EUROSAI Congress held June 16-19 in The Hague, the Netherlands. The central theme of the Congress was “innovation.” Ben Verwaayen, the former CEO of Alcatel-Lucent, delivered a keynote address in which he discussed the quickening pace of change in contemporary society. Mr. Verwaayen pointed to a similar time of modernization: the advent of steam ships’ popularity over sailing ships. He described how a leading sailing company reacted to the challenge, by choosing to redesign their ships to make them sail better. This company did not understand that, when it came to being the primary means of water transportation, sailing was about to be surpassed by steam.

Representatives of the Office of the State Comptroller and Ombudsman of Israel held a work session in which they pointed out that we are now witnessing an information revolution equal in scope to that which took place after the invention of the printing press, when mass-produced books and newspapers spread information at a previously unprecedented rate and reach. Today, the ways in which people consume information and news are swiftly changing as newspapers, and radio and television stations, continue to lose readers, listeners, and viewership. Digital platforms, however, are increasing the size of their audiences; Facebook has 802 million active users, and more than one billion users visit YouTube every month. However, only 13 of the current 50 EUROSAI members currently have a presence on Facebook. If SAIs produce content that is not shareable on these platforms, how will they be able to ensure their work is seen?



EUROSAI members discuss ways they can enhance innovation at their respective SAIs.

In another session, delegates from Estonia, Hungary, the Czech Republic, and the Netherlands discussed strategies their SAIs have used to innovate when it comes to communications. In advance of audit reports being issued, the Estonian office sent out teasers to reporters with questions the audit would answer. In Hungary, the SAI videotapes interviews with government officials to follow up on the implementation of audit recommendations, and posts the videos on its website. And in doing work on the cost and benefits of education, the Netherlands’ SAI used Facebook to contact young people and set up an advisory board of students to elicit feedback and information.

The Congress' various work sessions also dealt with other modern challenges confronting SAIs, including using open data, presenting audit results visually, and using tools such as infographics and interactive graphics. Presenters from the United Kingdom's National Audit Office discussed how the environment for auditing is changing to include a growing range of data sources and linked data, technological changes, and computing capability. To meet these new challenges, SAIs will need more people with backgrounds that bring together data skills, analysis skills, and IT systems knowledge. In a workshop on information design, three officials from the Netherlands Court of Audits discussed the importance of innovating in information design for clear communication. They talked about ways text, visuals, and numbers can combine to result in highly effective communications of audit messages.

There are also new expectations from citizens as to how they can be involved with SAIs. As public sector open data becomes more easily available, there are now "armchair auditors" in the public who know how to use technologies to sift through information. Congress participants discussed possible ways SAIs can interact with and benefit from such citizens.

The goal of EUROSAI's Congress organizers was to make sure that all participants returned to their SAIs with at least two ideas they could implement. Over the four-day conference, organizers far exceeded that goal by offering delegates a vast array of innovative ideas and a wealth of knowledge-sharing, so each SAI can remain current, relevant, and vital to their country's policy-making processes.

Visit <http://www.eurosai2014.nl> to learn more about the IX EUROSAI Congress 2014

Recommendations from the IX EUROSAI Congress

Eight recommendations emerged from the innovation-focused gathering—all designed to enable EUROSAI members to foster an innovative culture, learn from each other, and open their minds to doing things differently.

The IX EUROSAI Congress recommended that

1. EUROSAI seek ways to address the perceived tension between innovation and a rule-based culture;
2. EUROSAI stimulate innovative, low-cost, sustainable and web-based ways for SAIs to exchange views, documents and experiences;
3. EUROSAI encourage collaborative audits of relevant topics and foster experimentation with new audit approaches, techniques and products;
4. EUROSAI lead by example in its own governance and modus operandi;
5. EUROSAI seek an independent evaluation of its own governance and modus operandi—the EUROSAI Governing Board is mandated to follow up on this;
6. Forthcoming EUROSAI activities carry forward the spirit of the Young EUROSAI movement;
7. EUROSAI facilitate activities to develop the capacity of SAIs to "deliver the message" in an effective way; and
8. EUROSAI facilitate a discussion on the opportunities and consequences for SAIs of open data, e.g., on the equality of such data.

OLACEFS

Corruption Control Toolkit for OLACEFS SAIs

At the 23rd Ordinary General Assembly of the Organization for Latin American and Caribbean Supreme Audit Institutions (OLACEFS), held in December 2013 in Santiago, Chile, the *Corruption Control Toolkit for OLACEFS Supreme Audit Institutions* was approved.

This document is a compilation of good practices and operational tools recently developed by the supreme audit institutions (SAIs) of Latin America and the Caribbean to control corruption. The tools are classified as those used for prevention and detection, for making complaints, and for making use of citizen participation. Also included are prevention and detection tools that are currently being used by non-SAI bodies and might eventually be adopted by SAIs.

What the toolkit ultimately sets out to do is raise awareness of the many ways of tackling corruption, using best practices tried and tested throughout Latin America and the Caribbean. Its goal is to become an instrument of reference and support for SAIs in the region.

In order to share best practices in Latin America and the Caribbean with other regional INTOSAI groups, OLACEFS is offering the text of the Toolkit in both Spanish and English.

OLACEFS Toolbox for Control of Corruption:

http://www.olacefs.com/Olacefs/ShowProperty/BEA%20Repository/Olacefs/Documentos/2014/DOC_14_091_03012014

To learn more about OLACEFS, visit <http://www.olacefs.com>

PASAI

Enhancing governance and accountability

17th PASAI Congress at a Glance

- 17th Congress hosted by the Office of the Controller and Auditor-General (Samoa Audit Office), in Apia, Samoa, August 19-21, 2014.
- **Theme:** The role of SAIs in the effective governance and accountability of Pacific Island countries
- The Chairmanship of PASAI was handed over by Ms. Doris Flores-Brooks, Public Auditor Office of Public Accountability of Guam, to Fuimaono Camillo Afele, Controller and Auditor-General of the Samoa Audit Office.
- PASAI is an organization of 26 SAIs in the Pacific.
- Seven members of PASAI are actively involved in INTOSAI.
- Conferences are held annually among its members in Polynesia, Micronesia and Melanesia.
- The Congress was attended by the heads or representatives of 22 member SAIs, as well as by representatives of the International Organization of Supreme Audit Institutions (INTOSAI), the Auditor-General of South Africa, the Brazil Federal Court of Accounts, the National Audit Office of China, the Pacific Island Forum Secretariat, the Confederation of Asian and Pacific Accountants, the U.S. Department of the Interior, the International Journal of Government Auditing, and a number of development partners including the Australian Department of Foreign Affairs and Trade, Australian Aid (DFAT), the INTOSAI Development Initiative (IDI), the Asian Development Bank, and the World Bank.

How can supreme audit institutions (SAIs) promote better governance in public administration? How can auditors make sure that accountability processes are intact and are being enforced? About 75 people, representing 22 countries and several organizations, gathered in Samoa last August to discuss how SAIs throughout the Pacific region can successfully address these questions.

Samoa's Prime Minister, Tuilaepa Sailele Malielegaoi, opened the 17th PASAI conference by noting its relevance. "The theme of the Congress—the Role of SAIs in the Effective Governance and Accountability of Pacific Island Countries—could not be more appropriate in terms of the current work by PASAI with the governments of the Pacific," said Mr. Tuilaepa.



At the 17th PASAI Congress held in Samoa, participants discussed good governance and accountability.

Recent initiatives by the Samoa Audit Office, which is headed by the host of the 17th PASAI Congress, Controller and Auditor General Fuimaono Papali'i C.G. Afele, provide an example of the kind of progress SAIs in the Pacific are pursuing. The Office's Institutional Strengthening Project 2006-11 has culminated in the new Audit Act of 2013, which establishes the independence of the SAI. The Samoa Audit Office now publishes reports on its website, is updating its reports to Parliament and its ministry and public accounts audits, and has already updated 97 percent of its audits of public enterprises and public bodies.

Samoa's Prime Minister said that his country's audit office is forging a path for other SAIs in the region. "I am pleased to note that the audit reforms undertaken in the Samoa Audit Office can be used to spearhead and fast track reforms in other developing and progressing SAIs in the Pacific, who have yet to reach best practices as prescribed by INTOSAI and PASAI," said Mr. Tuilaepa.

Lyn Provost, General Secretary of PASAI and Auditor-General of New Zealand, said the reforms of the Samoa Audit Office are indeed best practices, and serve as a model for the Pacific.

Epa Tuioti from KVAConsult, a Pacific-based consultancy firm, advised PASAI members to be proactive about good governance. "You have an opportunity, as PASAI, to ask the question, 'where do we go now?'" he said. "I think audit offices have the primary responsibility to be the driver of approaches that enable our countries to move forward."

Auditing is a tool that can help improve the management and use of public resources, as auditing ultimately plays a role in the governance and accountability of Pacific nations. Congress participants observed that good governance is the responsibility of everyone, not just political leaders and auditors. Good governance also sets strategies, monitors the performance of public entities, and facilitates effective accountability.

The most serious threat to good governance is corruption, said Mr. Haiying Jiang, representing INTOSAI Governing Chair Mr. Liu Jiayi. “National audit is a powerful tool for combating and preventing corruption. The essence of corruption is the act to use public power to seek private interests. Audit institutions of all countries have exerted deterrent roles through their supervisory functions and have become an indispensable force for combating corruption.”

Congress participants shared their experiences as auditors dealing with fraud and abuse, and discussed ways such situations could be effectively addressed. “My experience is when people start talking about a problem, change starts to happen,” said Ms. Lyn Provost. “We can head in a positive direction in the Pacific.”

Congress participants agreed that real gains can be made from regional cooperation to improve transparency and accountability by promoting good governance, strong internal controls in public entities, and providing good Auditor-General (or equivalent) reporting to parliaments or legislative assemblies.

Secretary General Lyn Provost noted the importance of linking regional concerns to global considerations. “The big picture of who we are and how we fit in the world is an important start to our Congress, as one does not have governance or accountability in a vacuum,” said Ms. Provost.

Keynote speakers at the Congress emphasized that sustainable development worldwide is enhanced if the use of public resources is made more transparent and accountable. Dr. Josef Moser, Secretary General of INTOSAI, said that “increased transparency and accountability is also essential in order to strengthen the trust of citizens in all state institutions. It therefore has to be our common goal to create transparency, enhance accountability, fight corruption and thus contribute to sustainable development.”

By strengthening the capacity of auditors, SAIs can enhance their efforts toward achieving better governance and accountability. Congress speakers stressed the need



PASAI members shared the challenges and successes their SAIs have experienced over the past year.

to work with INTOSAI's capacity development initiatives to build on their expertise, knowledge, and training materials for PASAI's initiatives.

“We need to bring all regions of INTOSAI closer to the work of the Capacity Building Committee (CBC),” said Kimi Makwetu, Auditor-General of South Africa and Chair of the INTOSAI CBC. “We need to make sure we all understand that in order for capacity building to become a reality, all the regions ought to be involved.”

“People in EUROSAI can benefit from what is happening in PASAI,” he added.

One capacity development project in the Pacific region is the IDI-PASAI Capacity Development Cooperation. “This cooperation provides support to PASAI, and looks to strengthen it in the future,” said Archana P. Shirsat, Deputy Director General and Head of Capacity Development for the INTOSAI Development Initiative (IDI). The Capacity Development Cooperation involves the 3i Program ISSAI Implementation Initiative, support for capacity development, the SAI Performance Measurement Framework, INTOSAI Donor Cooperation, and cooperative audits.

PASAI members acknowledged that the Pacific is developing an international reputation for its regional cooperative performance audits. The focus of the past year was the climate change cooperative audit, structured around three key themes: preparing for climate change risk; planning and managing climate change risks, including erosion; and risks to food security.

“The coordinated audit's main findings indicate that the Pacific Island governments audited are not sufficiently prepared for current or future impacts of climate change, and do not have adequate funded and planned response mechanisms in place to adapt to the short-term and long-term negative effects of climate change,” said Claire Kelly, the Asian Development Bank's Cooperative Audit Advisor, reporting on the 4th Pacific Regional Cooperative Performance Audit (CPA).

Ms. Kelly said the next step for CPAs include a PASAI long-term strategy, leveraging Australasian Council of Auditors-General (ACAG) twinning arrangements, adopting lessons from previous CPAs to improve CPA methodology, and communicating the value of cooperative and coordinated audits to regional stakeholders.

“Coordinated audits as a strategy for capacity building is not an end in itself,” Luciano dos Santos Danni, Head of the Department for International Relations SAI Brazil, told Congress participants, alluding to OLACEFS' own recent experiences. “It is a means to enable joint learning through theoretical courses and work experience. And it generates quality products.”

Following four cooperative performance audits focusing on environmental issues, the Pacific region's fifth cooperative performance audit is on public debt management. A financial cooperative audit on foreign aid is currently in progress.

When reviewing their work over the past year, PASAI's member organizations reaffirmed the principles of regional collaboration and cooperation by showing commitment to the new PASAI Strategic Plan 2014-2024. The guiding principle

of PASAI's long-term strategy is to seek improved management and use of public resources through increased transparency and accountability to the people of the Pacific.

PASAI's strategic plan is SAI-centric; puts auditing, particularly financial auditing, at the center of members' attention; and adopts the draft INTOSAI SAI PMF, a voluntary tool for measuring and monitoring the performance of an SAI.

The overarching priority of the long-term strategy is to enable SAIs to contribute to improved PMF outcomes. PASAI will lead and assist SAIs in achieving positive outcomes, and SAIs will integrate the strategy into their own strategic plans.

Congress speakers also noted that there are real benefits of good regional cooperation and collaboration, there is an ongoing need to pool knowledge and work collaboratively, and the Pacific Plan review contains a continuing desire for regionalism across Pacific countries.

PASAI organizers said that SAI member presentations have always been an important part of the Congress, as Pacific SAIs share individual successes as well as challenges. In summarizing the country presentations, PASAI's Secretary-General Lyn Provost noted that every presentation highlighted positive gains over the past five years, and the SAI's presentations gave a sense that all members are auditing with a greater level of competence and confidence.

Resources to learn more about issues emerging from the 17th PASAI Congress:

PASAI: <http://www.pasai.org>

Anti-Corruption Resources: <http://www.pasai.org/Resources/Anti+Corruption+websites.html>

Capacity Development: IDI <http://www.idi.no>

3i Community Portal: <http://www.idicommunity.org>

Cooperative Performance Audit Reports: <http://www.pasai.org/Resources/Reports++Publications/Cooperative+Performance+Audit+Reports.html>

Environmental Auditing: <http://www.environmental-auditing.org>

Pacific Islands Forum Secretariat: <http://www.forumsec.org>

Performance Management Framework: <http://www.idi.no/artikkel.aspx?Mid1=102&AId=704>

Pacific Plan Review: <http://www.pacificplanreview.org>

INTOSAI WGEA

Indonesia hosts the 13th Steering Committee Meeting



Delegates of 13th Steering Committee Meeting of WGEA gather in Lombok, Indonesia.

The Audit Board of the Republic of Indonesia (BPK), as the Chairman of the INTOSAI Working Group on Environmental Auditing (WGEA), hosted the 13th Steering Committee meeting of INTOSAI WGEA April 3-5, 2014, in Senggigi, Lombok, West Nusa Tenggara. Thirty-eight delegates from 16 SAIs, and one observer from SAI Iraq, attended the meeting.

The meeting included an agenda to discuss and endorse the project outline listed in the WGEA work plan 2014-16. Participants reviewed seven research projects, one guidance material update, four ISSAI reviews, and various training programs. The meeting also covered topics such as the status of the WGEA Secretariat and strategies to improve cooperation between INTOSAI WGEA and Regional WGEA (RWGEA).

In relation to a survey of the project outlines and plans, each project leader will develop several questions. These questions will be compiled by the Secretariat and distributed to all WGEA and RWGEA members.

Next steps:

1. Project leaders will revise the project plan based on the input received from SC members. The Secretariat will monitor the implementation of the project plan based on agreed milestones, and will develop meeting minutes that will be distributed to all delegates for their input.

The 13th Steering Committee Meeting of INTOSAI WGEA resulted in the following outputs:

1. INTOSAI WGEA accepted three new members: the SAIs of the Bahamas, Iraq, and Nigeria. Members of INTOSAI WGEA now include 77 SAIs.
2. The Steering Committee agreed on the outline of project plans for seven research projects, one guidance material update, and four ISSAIs reviews.
3. The implementation of the Second International Training program at the Global Training Facility in Jaipur, India, was planned for September 14-27, 2014.
4. The Greenlines publication was published in June 2014. (Greenlines is available online at <http://www.environmental-auditing.org/Home/GreenlinesNewsletter>)
5. The dissemination of a training module on forest audit will be organized by the SAI of Indonesia.
6. INTOSAI WGEA will continue to strengthen cooperation with Regional WGEA (RWGEA) in the exchange of subject matter experts, the translation of WGEA output, and the distribution of the survey and audit results.
7. INTOSAI WGEA has four additional sub-committee members focusing on the following areas:
 - a) Energy savings
 - b) Marine environment
 - c) Auditing waste management
 - d) Environmental assessment
 - e) Environmental assesment (SAI Tunisia)

2. To prepare for the 16th INTOSAI WGEA Assembly meeting in the Philippines, the Secretariat will develop the meeting's draft agenda. The Secretariat will also conduct a survey on preferences for the theme that will be raised in the plenary and parallel sessions. The selected theme will be the basis for developing the agenda and arranging guest speakers.

Hadi Poernomo, Chairman of BPK, said that the government had a role in protecting the environment from human activities. "As supreme audit institutions, we have an important task to monitor and audit whether the government has properly done its duties in preserving the environment," said Poernomo. "Given the global nature on sustainable development, all nations must cooperate and build a synergy to design and apply solutions. If we work together, we will achieve a far greater result than if we work individually."

Prior to Poernomo's speech, BPK Board Member Dr. Ali Masykur Musa also offered welcoming remarks. He said he believed the meeting would foster an openness in interaction, discussion, and collaboration among participants, in the spirit of the *Experientia Mutua Omnibus Prodes*, or, "mutual experience benefits all." This would result in productive ideas for all INTOSAI WGEA members in improving environmental quality worldwide. Dr. Musa also expressed his appreciation of the achievement of the INTOSAI WGEA goals, during the previous chairmanships of SAI Estonia and Canada, in improving the quality of the global environment.

The INTOSAI WGEA was established to encourage the use of audit mandates and audit methodologies in the field of environmental protection and sustainable development. The INTOSAI WGEA has been instrumental in encouraging SAIs around the world to conduct audits of environmental issues and programs, and in helping them build the capacity to do so. The ultimate goal is that SAIs will become more strategic in enforcing governments to preserve the environment and its natural resources.

Prior to the meeting, participants joined an environmental excursion held April 2, 2014. Excursion participants planted trees and trekked in the Suranadi Forest, and released turtles in Oberoi Medana Beach, Lombok.

The meeting was closed by the Vice Chairman of the BPK, Hasan Bisri. In his closing remarks, he conveyed his appreciation to all delegates for their active participation in the meeting.

To learn more about the Working Group on Environmental Auditing, visit <http://www.environmental-auditing.org>

IDI management team in place

Recruitments for the IDI management team have been completed. In addition to Mr. Einar J. Gørrissen, Director General, the new incumbents for these positions are:

- a) Ms. Archana P. Shirsat, Deputy Director General and Head of Capacity Development

Ms. Shirsat will be responsible for managing the IDI's capacity development programs. The IDI is in the process of identifying, from the information received from SAIs through the IDI Global Survey, new areas and programs for capacity development of SAIs. Ms. Shirsat, along with the capacity development team in the IDI, will strive to facilitate the requirements of the SAIs as they develop capacity.

- b) Mr. Martin Aldcroft, Deputy Director General and Head of INTOSAI-Donor Secretariat

Mr. Aldcroft will manage the INTOSAI- Donor Secretariat. The INTOSAI-Donor Secretariat will continue to provide effective support to the INTOSAI-Donor Cooperation in its efforts to scale up and provide effective support to SAIs.

- c) Mr. Ola Hoem, Deputy Director General and Head of Administration

Mr. Hoem will be responsible for the internal administration and financial management of the IDI. The administration team will strive to provide effective support to the Capacity Development team and to the INTOSAI-Donor Secretariat as they work to meet the IDI's strategic goals.

INTOSAI-Donor Steering Committee teleconference

On June 23, 2014, there was a teleconference of the INTOSAI-Donor Steering Committee. The SAI Capacity Development Fund was launched, and donors and SAIs expressed interest in supporting 24 proposals under the 2013 Global Call. Participants also provided input to the design of the forthcoming evaluation of the INTOSAI-Donor Cooperation.

ISSAI Implementation Initiative (3i Program)

- a) ARABOSAI 3i Management Workshop conducted

An ARABOSAI 3i Management Workshop was held in Casablanca, Morocco, June 24-26, 2014. In the workshop SAIs from Arabic speaking nations discussed ISSAI implementation issues, products, and ideas regarding the implementation of ISSAIs. Organized by the IDI and ARABOSAI, the workshop was hosted by the SAI of Morocco. Thirty-four officials from 17 SAIs, among them nine heads of SAIs and 23 senior managers, attended the workshop and discussed strategic issues regarding ISSAI implementation. Fifteen participating SAIs signed the Statement of Commitment to use iCATs and formulate ISSAI implementation strategies. This statement details the roles and responsibilities of ARABOSAI, the IDI, and each SAI in implementing ISSAIs.

IDI UPDATE



IDI Update keeps you informed of developments in the work and programs of the INTOSAI Development Initiative (IDI). To find out more about the IDI and to keep up to date between editions of the Journal look at the IDI website:

<http://www.idi.no>

For information related to the ISSAI Implementation Initiative (3i Programme), please visit <http://www.idicommunity.org/3i>

b) IDI signed Terms of Reference for 3i Program

The IDI signed the Terms of Reference (TOR) for the 3i Program with the INTOSAI Professional Standards Committee (PSC), Financial Audit Subcommittee (FAS), Performance Audit Subcommittee (PAS), and Compliance Audit Subcommittee (CAS).

The TOR outlines the process of interaction and cooperation between the PSC and three subcommittees, and the implementation measures taken by the IDI in the management of the 3i program. The TOR includes the roles and responsibilities of the related parties in the implementation of the ISSAIs, feedback and cooperation mechanisms, and areas of potential future collaboration. The TOR was signed on May 23, 2014, at the 11th PSC Steering Committee meeting held in Manama, Bahrain.

c) 3i Workshop for facilitating ISSAI Implementation, CAROSAI

A workshop on facilitating ISSAI implementation for the CAROSAI region was held July 14-19, 2014, in Antigua. The workshop was the third stage of the ISSAI Certification Program for the CAROSAI participants, in the areas of financial, performance, and compliance audit. Successful participants of the respective second stage e-courses of the CAROSAI region were invited to attend the workshop. After completing the workshop the participants were certified as IDI-PSC ISSAI Facilitators.

d) 3i Workshop for facilitating ISSAI implementation (Compliance Audit) for ASOSAI and PASAI

A workshop on facilitating ISSAI implementation for the ASOSAI and PASAI regions was held July 28-August 2, 2014, in Manila, Philippines. The workshop was the last part of the ISSAI Certification Program in compliance audit for participants from ASOSAI and PASAI. At the workshop 31 participants learned how to serve as ISSAI advocates, project managers, and learning facilitators. Participants also drafted individual action plans for supporting ISSAI implementation.

e) 3i OLACEFS product adaptation meeting

A team of 11 ISSAI experts and mentors met in Peru August 5-22, 2014, to adapt 3i products and courseware for the ISSAI certification programs in OLACEFS.



Resource persons at the 3i OLACEFS Product Adaptation Meeting in Peru last August.

IDI Global Program on auditing borrowing and lending frameworks (Public Debt Audit)

- a) Cooperation meeting for heads of English-speaking SAIs conducted
 The cooperation meeting for the English component of the program involving the heads of participating English-speaking SAIs was held in Malaysia May 19-22, 2014. Heads and senior managers from 15 SAIs attended the meeting and signed the program's cooperation agreement. Experts from UNCTAD and the Reserve Bank of India also attended.
- b) Cooperation meeting for heads of Spanish-speaking SAIs conducted
 The cooperation meeting for the Spanish component, involving heads and senior managers from eight SAIs in the OLACEFS region, was held in Mexico June 10-12, 2014. The program's cooperation agreement was signed. The SAI of Mexico also represented the INTOSAI Working Group on Public Debt as a partner for this program, and experts from UNCTAD and the Central Bank of Argentina also participated.

SAI Performance Measurement Framework trainings conducted

An SAI PMF training course was held in Nadi, Fiji, April 28–May 2, 2014. The course involved 26 participants from PASAI member SAIs and a number of donor representatives.

From May 5–9, 2014, a course was conducted in Belo Horizonte, Brazil. The course was hosted by the Brazilian Court of Audit, and there were 74 participants from Portuguese-speaking SAIs and from state-level audit institutions in Brazil.

Another course was held in Oslo, Norway, May 12-16, 2014. There were 39 participants, including SAI staff, donors, and consultants from around the world.

IDI's bilateral support programs

- a) As per IDI's new mandate and strategic plan 2014-2018, the IDI is providing, on a limited basis, bilateral support to SAIs of extremely fragile states. In these cases IDI will serve as a provider of last resort. A SAI PMF course was thus held in Pétion-Ville, Haiti, from May 5-8, 2014. There were 30 participants from SAI Haiti. This initiative was funded by the World Bank, and was further supported by USAID and the Inter-American Development Bank.
- b) The IDI is supporting SAI Iraq in developing its learning plan. IDI staff conducted a workshop for 17 staff members from SAI Iraq in Tunis August 4-8, 2014. The workshop is based on the IDI's Learning for Impact guidance. Following the workshop, the team from SAI Iraq will develop its own learning plan, which will be reviewed by the IDI. This program is supported by the World Bank.

2013 IDI Global Survey

The IDI has received responses to the 2013 Global Survey from 177 SAIs and the INTOSAI regional secretariats, indicating a response rate of over 87 per cent. The report is now being finalized. The Global Survey provides a baseline for the IDI strategic plan 2014-18, and measures progress in SAI capacity development support by updating key data of the 2010 Stocktaking. It informs future IDI programs by identifying thematic preferences of SAIs. The survey also provides the opportunity to collect data for research purposes. The report will be available at <http://www.idi.no>.

Stakeholder communication through IDI's participation in meetings

The IDI engaged with its stakeholders through participation in various meetings. IDI made presentations at a regional World Bank MENA (Middle East North Africa) conference that took place in Abu Dhabi June 9-13. The conference focused on strengthening financial management institutions, and strengthening MENA. It looked at both public financial management reform and private sector financial reporting. About 200 participants attended.

IDI participated at the EUROSAI Congress in The Hague, The Netherlands, June 15-19. Cooperation between EUROSAI and IDI over the last three years was highlighted during the Congress. IDI's activities and participation, and cooperation from EUROSAI members, were also updated to the EUROSAI Governing Board. Discussions took place with several EUROSAI members regarding future cooperation with the IDI.

As part of the United Nations Public Service Forum and Awards Day held in Seoul, South Korea, June 23-26, IDI co-organized the following workshop: "Innovation in Public Accountability: the Role of Supreme Audit Institutions and Citizens." Other organizers of the workshop were UNDESA, World Bank Institute, and INTOSAI. Forty participants from various organizations, including 20 SAIs, attended the workshop, which developed two recommendations for the UN post-2015 development agenda.

On June 25, IDI participated in a teleconference for the INTOSAI Finance and Administration Committee. Among other issues, the financial position of INTOSAI, the new INTOSAI Strategic Plan, donor cooperation, professional standards, and auditor certification were discussed.

Contacting IDI

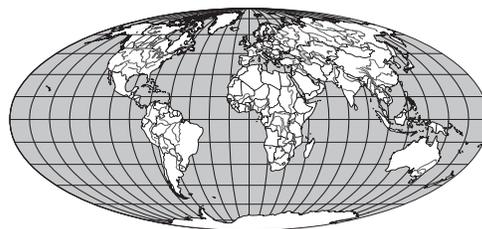
To discuss any of the issues presented in this edition of the IDI Update, please contact us:

Telephone: +47 21 54 08 10

E-mail: idi@idi.no

Website: <http://www.idi.no>

INTOSAI Events



2014

October

- 7–8 8th Meeting of Working Group on the Fight against Corruption and Money Laundering, Washington, D.C., U.S.A.
- 7–9 OLACEFS Workshop: Audit on Public Work, Asunción, Paraguay
- 14–15 6th Meeting of the Steering Committee of the Committee on Knowledge Sharing and Knowledge Services, Cairo, Egypt
- 22–24 Working Group on Public Debt, Seoul, Republic of Korea
- 24–30 13th General Assembly of AFROSAI, Sharm El Sheikh, Egypt

November

- 3 IDI Board Meeting, Video or Telephone Conference
- 3–7 OLACEFS Workshop on Audit Findings and Seminar on Biodiversity, Protected Areas and Environmental Damage, Asunción, Paraguay
- 5 INTOSAI Task Force on Strategic Planning, Vienna, Austria
- 5–7 66th INTOSAI Governing Board Meeting, Vienna, Austria
- 24 OLACEFS Board of Directors Meeting, Cusco, Peru
- 25–28 XXIV General Assembly of OLACEFS, Cusco, Peru

December

January

February

March

- 2–4 EUROSAL-ARABOSAI Joint Conference, Qatar
- 7–13 48th/49th Governing Board Meetings and 13th Assembly of ASOSAI, Kuala Lumpur, Malaysia

- 2–4 23 UN/INTOSAI Symposium, Vienna, Austria
- 24–25 9th Meeting of the Performance Audit Subcommittee, New Delhi, India

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 will be included according to space available. For additional information, contact the Secretary General of each regional working group. For contact information visit <http://www.intosai.org/regional-working-groups.html>

INTOSAI

