

INTOSAI



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

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It is indeed a pleasure to have been invited to write this editorial for the *Journal*, and I welcome the opportunity to share some thoughts with colleagues in INTOSAI and the wider international community.

On July 1, 2004, I started my 12-year term as President of the Austrian Court of Audit. Concurrently, and consistent with the INTOSAI Statutes, I will also be serving as Secretary General of our organization for that period.

More than 50 years after its foundation in 1953, INTOSAI stands strongly as an international organization whose more than 180 member countries span the globe. INTOSAI can pride itself on the great number of accomplishments and goals that it has achieved, in which many of you have taken an active part.

As I look back on important milestones in INTOSAI's development, the Lima Declaration on Guidelines on Auditing Precepts, endorsed during the 9th International Congress in 1977, stands among the central contributions that INTOSAI has offered to auditing.

The Lima Declaration sets forth the philosophy and framework of government auditing, its core missions and functions, as well as guidelines and principles that are reflected today in the constitutional and legal frameworks of many member countries. During this period, INTOSAI has charted a course towards continuous improvement in government audit and the active promotion of government management around the world.

INTOSAI's progress has been steady, evolutionary, and evenly paced. Today, it extends its activities in a globalized context and transcends single issues and national, even regional, borders. Its development has been remarkable. It is a center of knowledge,

information, and experience for the international audit community. It has produced a large amount of valuable knowledge in the most important fundamental fields of government audit, such as audit standards, accounting standards, internal control standards, and other professional guidelines. It has accomplished groundbreaking work and promoted professionalism in the missions we are called upon to accomplish. INTOSAI's successful achievements impressively document that we have been able to live up to our motto of "Mutual Experience Benefits All" and that we have realized that there is an ongoing need for continuing cooperation within INTOSAI as well as with outside partners.

As incoming Secretary General to this organization, I am committed to upholding INTOSAI's paramount principles, which have stood the test of time. They are

- the **equality** of its members, regardless of their size, origin, financial strength, or stage of development;
- **unity in diversity**, a feature that has always enriched our interchange and dealings with one another, uniting different systems of audit and different approaches, philosophies, cultures, and values; and
- **democracy**, the most essential ingredient and backbone of every true system of government audit, INTOSAI's nonpolitical orientation, as well as the national sovereignty of member SAIs, regional autonomy, and balanced representation.

As I familiarize myself with the tasks and expectations awaiting me, I will ensure continuity and uphold time-proven traditions. At the same time, I see a need to blend old virtues with the needs and requirements of modern times. It is heartening to note that SAIs worldwide face a number of emerging issues and the perennial challenges associated with improving good government: tightening budgetary constraint and the related need to ensure even better use of public funds, improved accountability and transparency in the interest of taxpayers and those we serve, good governance, and a better public understanding of our roles and missions both at the national level and in globalized settings. These constraints and challenges have not halted at the door of our organization. This is why INTOSAI has developed a strategic plan that is to streamline and restructure the organization and equip it for the challenges of the 21st century. By sharing information and knowledge on an even wider scale, rationalizing our financial input with a view to the best possible value for money, setting an example as a model organization and learning from best practice, INTOSAI will, I am confident, go from strength to strength, creating benefit for all members, regardless of their level of development, affluence, or power, and redrafting the map of government audit in years to come.

As INTOSAI gears up for its next congress this October in Budapest, Hungary, I anticipate that this triennial gathering will be a platform for member SAIs from around the globe to strengthen and renew existing links, meet new colleagues and make new contacts, exchange ideas and experiences on subjects of common interest, and engage in lively debates with colleagues and friends under the umbrella of the big INTOSAI family. I am confident that the organization of this all-important event rests in the most able hands, the president of the Hungarian State Audit Office, Dr. Arpad Kovacs, and his experienced team. As a newcomer to the INTOSAI family, I look forward to meeting colleagues and counterparts in Budapest who will certainly provide me with

the guidance and counsel I may need for my mission as Secretary General. I look forward to gaining an insider's view of the workings, history, and future endeavors of INTOSAI, which will empower me to serve this organization to the best of my knowledge and belief in the interest of all of its members, the international audit community, befriended organizations, and the public at large.

As I take on the challenges of this mission, I feel fortunate that I can build on the strong foundation of my predecessor, Dr. Franz Fiedler, who has shared with me observations about the great value INTOSAI places on communication, cooperation, and knowledge. While I am devoted to continuing and enhancing this tradition and to ensuring a seamless transition, it is also my intention in the coming years to leave my own imprint on this organization and steer it safely, with foresight and circumspection, through the challenges of the upcoming decade. As Secretary General, my policy will be one of open ears and open doors for the concerns of all of our members, trying to remain at the pulse of the organization's most pressing needs.

To achieve these ambitious objectives, I call on all INTOSAI members to involve themselves actively and lend their full support to INTOSAI's activities and program and to make their contributions to resolving the issues and challenges we are facing. I am confident that by leading by example and guiding INTOSAI on its way to a genuine model organization, we will all--at the end of the day--together have made a difference consistent with our motto, goals, and aspirations.

NEWS



Belgium

Death of SAI President

On July 9, 2004, Mr. William Dumazy, Senior President of the Belgian Court of Audit and Chairman of the INTOSAI Internal Control Standards Committee, unexpectedly passed away at the age of 57.

During his tenure as President of the Court of Audit, Mr. Dumazy launched an ambitious reform plan for the organization. A strong supporter of INTOSAI's

objectives, he assumed the chairmanship of the Internal Controls Standards Committee in 2001 because he was convinced that SAIs have the responsibility to promote the establishment and review of internal control systems to improve government performance.

Mr. Dumazy was committed to developing further initiatives to enhance the concept of internal control. His latest proposals to the committee's project to update internal control guidelines are reflected in the draft action plan recently sent to INTOSAI members.

The Belgian Court of Audit will always honor the memory of Mr. Dumazy with deep respect and gratitude and will carry forward his commitment to INTOSAI and, more specifically, to the Internal Control Standards Committee.

For additional information, contact: Court of Audit, fax: ++32 (2) 551 86 22; e-mail: courdescomptes@ccrek.be; Web site: www.courdescomptes.be.



Mr. William Dumazy

China

Audits Promote Reform of National Budget System

For the past 9 years, the National Audit Office of China (CNAO) has carried out annual audits of the implementation of the national budget. The audits have addressed how (1) the Ministry of Finance (MOF) organizes national budget implementation, (2) various departments of the State Council (Cabinet) carry out their budget plans, and (3) various provincial governments manage the national subsidies allocated to them by the national government.

The audits have focused on the reform of China's fiscal budget management system because of ongoing conflicts between the budget management and market economy systems resulting from the influence of the former planned economy. The objective of the Chinese fiscal system reform is to establish a socialist public finance system that gives full consideration to China's current conditions. The CNAO audits have made significant contributions to achieving this goal.

For example, the audits have addressed the issue of "out-of-account" funds. For historic reasons, the fees that Chinese governmental departments charged for administrative services they provided were not included in general budgets but rather were used by the governmental departments themselves. The CNAO recommended that all these funds be incorporated into the national budget and that if, as a result, any governmental department needed to increase its budget, it should apply for and be allocated the funds from general budgets. This recommendation has been implemented and, since 2003, the MOF has incorporated into its overall budget the administrative fees generated by the Ministry of National Resources, the Ministry of Commerce, and 22 other

departments. The MOF is to report periodically to the National People's Congress (NPC) on revenues and expenditures of out-of-account funds and be monitored by NPC members.

The specification of budget plans provides a second example of the CNAO's contributions to the reform of the Chinese fiscal system. During the audit of the MOF, CNAO found that some expenditures of the national budget approved by the NPC had not been specified to spending departments and programs and that extra expenditures often occurred as a result of additional budgets during the implementation process. This led to weak management of budget implementation and the lack of transparency in fund allocations, which in turn hindered the best use of fiscal funds. In 1999, the NPC and the State Council supported the CNAO proposal on the specification of budget plans.

Since 2000, a department-based budgetary system, according to which each governmental department or agency has its own separate budget plan, has been adopted in China. Starting from 2001, CNAO's national budget audits were prioritized based on promoting the establishment of the department-based budgetary system. However, during the audit of national budget implementation in 2003, CNAO found that the MOF and other departments had not specified funds totaling 38.115 billion RMB yuan to respective departments or programs in their annual budgetary plans, with unspecified funds accounting for 5.6 percent of total allocations. This finding suggested that the problem had not been thoroughly resolved.

To improve this situation, the CNAO proposed that the budgetary funds allocated at the beginning of the year be increased and that contingent reserves be enlarged. In accepting this proposal, the Standing Committee of the NPC required that the State Council report to the NPC any difficulties in allocating

budgetary funds at the beginning of the year, along with the agencies and amounts involved. The State Council, in turn, asked the MOF to send case reports on any allocation unavailable at the beginning of the year as well as final accounts for its review. This reform had a significant influence on the balance of power among the NPC, the State Council, and the MOF in regard to budget allocations. It will further standardize the management of budgetary expenditures at the national level.

These two examples demonstrate that the objectives of CNAO's audits of national budget implementation not only disclose specific problems but also improve the Chinese budgetary management system by evaluating existing management weakness. By doing so, limited fiscal funds can then be placed in the most needed areas to ensure better overall controls and a more stable and smooth development of the national economy.

CNAO's 2003 Annual Report Submitted to the National People's Congress

On June 23, 2004, Mr. Li Jinhua, Auditor General of China, presented the *Report on Auditing of Central Budgetary Implementation and Other Fiscal Revenues and Expenditures in 2003* to the NPC, China's Parliament.

NPC Standing Committee members spoke highly of this year's audit report and affirmed the work of the CNAO. They also expressed their appreciation that the CNAO fulfills its responsibilities by overcoming difficulties and obstacles, practices administration in accordance with the law, and discloses even the toughest issues. The members demanded that all audit findings be investigated and dealt with, that relevant departments learn from the findings and make continuous progress by carrying out corrections and reform, and that new structural measures be introduced to prevent and solve potential problems. The

Standing Committee members have also required that CNAO audits be strengthened to broaden and deepen audit disclosures and that performance audit be actively promoted to increase effectiveness in the use of public funds.

In its review report on the CNAO annual audit report, the Financial and Economic Committee of the NPC recommended that the State Council (China's Cabinet) urge the relevant departments and localities to take effective measures to address the root causes of the problems reported. In particular, for those major violations of laws—especially repeat violations—and irregularities, those in charge should be held accountable. Results of these corrective actions are to be reported to the NPC by the end of 2004. The review report also approved the CNAO recommendations for strengthening central budgetary management, saying that they were “suitable, feasible, and should be implemented.”

For additional information, contact: International Department, National Audit Office of China, fax: ++86-10-6833 09558; e-mail: cnao@audit.gov.cn.

Costa Rica

Annual Report of the Office of the Comptroller General

In accordance with the constitution of Costa Rica, the Office of the Comptroller General (CGR) must submit an annual report to the Congress at the beginning of each legislative term (May 1st every year).

The annual report is composed of four parts.

- The first part, “Opinions and Suggestions for Improving the Management of Public Resources,” deals with the CGR’s audit tasks during the preceding year.

- The second part analyzes and assesses the performance of public institutions during that year. It also comments on areas of activity within the scope of the Costa Rican government and analyzes the public sector’s financial position.
- The third part includes the accountability report of the CGR.
- The fourth part provides statistical information (charts, graphics, and matrices) that supplements the comments and analysis in the second part.

The CGR’s annual reports for 1998-2003 are available on the CGR Web site (www.cgr.go.cr; search for “Memoria”).

For additional information, contact: CGR, fax: ++506 296 05 63; e-mail: inforcgr@cgr.go.cr.

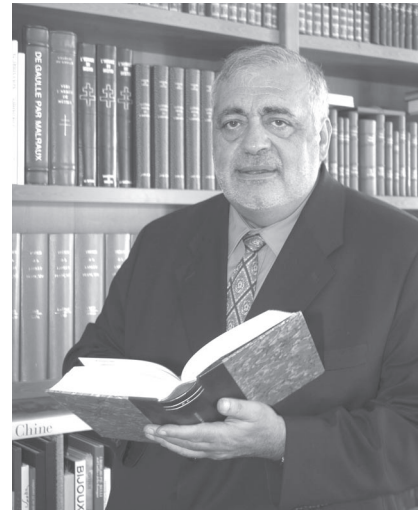
France

President Appointed to the Court of Audit

Mr. Philippe Séguin was appointed First President of the French Court of Audit by the French Government on July 21, 2004.

Born in Tunis in 1943, Mr. Séguin entered the French Court of Audit in 1970 as a junior auditor after graduating from the prestigious National School of Administration (ENA), which trains French senior civil servants.

From 1973 until 1974, he served as the official representative for the Secretary General of the President of the French Republic. He then became a Member of the Parliament for the Vosges area (in the east of France) from 1978 until 2002, with a 2-year break from 1986 until 1988, when he was Minister of Social Services and Employment. From 1993 until 1997, Mr. Séguin was President of the National Assembly, the lower house of the French Parliament. Mr. Séguin was also the



Mr. Philippe Séguin

mayor of the town of Epinal in the Vosges area from 1983 until 1997.

In 2002, Mr. Séguin gave up his various political mandates and returned to the French Court of Audit, where he became senior magistrate in March 2003. The French government also appointed him to be a member of the Governing Body of the International Labor Office. In June 2004, he was named the chairman of the Governing Board of the International Labor Organization.

Mr. Séguin holds honorary doctorates from the University of Québec in Canada and from the universities of Coughborough (Great Britain) and Bucharest (Romania). He has also written several historical and political essays. He is married and the father of four children.

For additional information, contact: Court of Audit, fax: ++33 (1) 42 60 01 59; e-mail: presidence@ccomptes.fr; Web site: www.ccomptes.fr.

Hungary

New Legislation Enhances Independence of SAI

In May 2004, the National Assembly of the Republic of Hungary amended the act regulating the activity of the State Audit Office (SAO) to (1) increase the SAO’s fiscal and

operational independence and (2) revise outdated provisions that were no longer applicable. In addition, the amendments now explicitly designate the SAO as the supreme audit institution of the Hungarian state. The new legal regulation also adjusted the SAO's audit powers to make them clearer and more precise.

The new provisions continue to strengthen the safeguards of the SAO's independence. Among other things, they allow the SAO to draw up its own draft budget, which is then to be submitted to the National Assembly without modification as part of the government budget bill. As a further safeguard for the SAO's independence, the power to define the SAO's workforce will be delegated from the National Assembly to the President of the SAO in the future.

Comprehensive Guidance on Public Audit Published

Based on audit activities performed and experiences gained over the past 15 years and the results of fruitful international cooperation, the SAO recently published a one-volume comprehensive technical regulation for public audit. The material comprises the SAO's code of ethics, auditing precepts and standards, and audit manual. It was developed by adapting international best practice and building upon the Lima Declaration, INTOSAI's Code of Ethics and Audit Standards, and International Federation of Accountants standards. While the volume's contents have already guided the SAO's activity in the past, this is the first time that a single and complex technical regulation has been published in one volume.

For additional information, contact: State Audit Office, fax: ++36 (1) 484-9201; e-mail: kovacs@asz.hu; Web site: www.asz.hu.

Iraq

Head of SAI Killed

The Board of Supreme Audit in the Republic of Iraq is saddened to announce that Mr. Ihsan K. Ghanim Al-Ghazi, its recently named president, was killed in a car bombing on July 1, 2004. Two of his associates were also killed with him.

As announced in the April 2004 *Journal*, Mr. Ghanim had served with the Iraqi Board of Supreme Audit since 1973. He was vice president of the Board from 1997



Mr. Ihsan K. Ghanim Al-Ghazi

until his appointment as president of the newly constituted Board, which resumed its audit functions in April 2003.

For additional information, contact: Board of Supreme Audit, e-mail: bsairaq@yahoo.com.

Kazakhstan

Fifth Meeting of Heads of SAIs of Commonwealth of Independent States Countries

From August 31-September 2, 2004, the SAI of Kazakhstan (the Accounts Committee for Control over Execution of the Republican Budget) hosted the fifth meeting of the heads of SAIs of the countries of the Commonwealth of Independent States (CIS). The theme of the session was the openness and transparency of SAIs and their interactions with different branches of government.

During the session, participants approved a declaration stating that openness and transparency are basic principles of SAI work and ensure that democratic principles in the management of the economy are fully implemented, government audit is efficient, and society is protected against corruption and other violations. The participants also approved model methodological

recommendations for performance auditing and a glossary of terms to be used in the work of CIS SAIs.

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Uruguay

Court of Audit Celebrates 70th Anniversary

The Court of Audit of Uruguay celebrated its 70th anniversary in August 2004. The Court's antecedents date back to 1830, when the General Assembly established a three-member commission to "examine, close, and verify the annual accounts of the government." This concern to maintain a control function in the government resulted in an 1834 law that created two commissions, one in each chamber, to audit the accounts of the executive branch.

In 1880, the regulatory framework of the two audit commissions was unified. Throughout their history they

functioned as one joint commission, with members from both chambers, and came to be known as the Legislative Audit Commission. Because some sectors of the Parliament realized that this structure was insufficient to control the operations of ministries and the Treasury, they began to envision the creation of a supreme Court of Audit that would be completely independent. There were many unsuccessful attempts to create an independent Court of Audit with an autonomous budget and specialized technical personnel.

The 1934 Constitution established the Court of Audit as the supreme audit institution and charged it to audit and monitor all matters related to the Public Treasury. The Constitution established the organization's fundamental bases, functions, and powers, which have remained virtually unchanged until the present day.

While the Court's essential functions have not changed over its 70 years, the circumstances in which they are carried out today are very different than in the past. Most notably, the scope of the Court's work has broadened as a result of the government's increased participation in new activities as well as the need to audit para-state and private entities that receive or administer state resources and businesses in which the state has a controlling interest.

The broadened scope of work and the increase in technology applicable to government auditing have been particularly evident in the international sphere. Attention has been focused not only on standards for auditing, accounting, and internal control, but also on such areas as public debt, privatization, program evaluation, information technology, the environment, international institutions, and international money laundering.

Since the Court of Audit was founded in 1934, its unique character has been shaped by the multiple and

constant challenges growing out of its efforts to meet the strict demands of its audit mandate and adapt to technological and juridical changes without losing the perspective and equilibrium necessary to function in a world undergoing rapid change. The staff and management of the Court remain committed to this effort as they face the challenges of the future.

For additional information, contact: Court of Audit, fax: ++598 (2) 916 75 07; e-mail: asint@tcr.gub.uy; Web site: www.tcr.gub.uy.

United States

GAO Renamed Government Accountability Office

In July 2004, new legislation changed the name of the U.S. General Accounting Office to the U.S. Government Accountability Office. The well-known GAO acronym will stay the same. The legislation also gave GAO new human capital flexibilities to help it attract and retain the skilled staff needed to serve Congress in the future.

GAO's work has changed considerably since its creation in 1921. In its early years, GAO primarily audited government vouchers and receipts for accuracy and appropriateness. After World War II, the agency began to do more comprehensive financial audits that examined the economy and efficiency of agency operations. By the 1960s, GAO began to do the type of work it is known for today—program evaluation of government programs to determine whether they achieve their objectives and meet the needs of society.

Today's GAO is a multidisciplinary professional services organization with a workforce of 3,200 career employees. GAO's diverse staff includes economists, social scientists, public policy analysts, attorneys, and computer experts, as well as specialists in fields ranging

from health care to homeland security.

In testimony before Congress, Comptroller General David M. Walker said that the new name would more accurately reflect GAO's current role and mission in government. Walker pointed out that less than 15 percent of the agency's workload is traditional financial audits. He said that the new name would dispel the common misconception that GAO keeps the government's books and other financial records.

"Our activities are designed to ensure the executive branch's accountability to the American people," Walker said. "Indeed, the word accountability is one of GAO's core values, along with integrity and reliability."

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

European Union

New Members Join the European Court of Auditors

On May 1, 2004, 10 countries acceded to the European Union (EU), enlarging the EU to 25 Member States. Based upon proposals by the national governments of the 10 new Member States and in consultation with the European Parliament, the European Council of Ministers appointed, as of May 7, 2004, the following Members to the European Court of Auditors (ECA) for a renewable period of 6 years: Mr. Jan Kinšt (Czech Republic), Ms. Kersti Kaljulaid (Estonia), Mr. Igor Ludboržs (Latvia), Ms. Irena Petruškevičienė (Lithuania), Mr. Gejza Halász (Hungary), Mr. Jacek Uczkiewicz (Poland), Mr. Josef Bonnici (Malta), Mr. Vojko Anton Antončič (Slovenia), and Mr. Julius Molnar (Slovakia). The appointment of a tenth Member (from Cyprus) is still pending. On June 7, 2004, the nine new ECA Members gave a solemn undertaking regarding their

independence before the EU Court of Justice, as foreseen in the EU treaties.

In view of this enlargement, the ECA has reviewed and revised its organizational structure and decision-making procedures. The principles underlying these changes can be summarized as follows:

Improvement of the ECA's decision-making procedure and enhancement of the role of the audit groups. The ECA has set up an Administrative Committee to handle administrative matters requiring a Court decision. This committee will operate alongside the four vertical audit groups and the horizontal audit group. This is intended to enhance the role of the audit groups, as foreseen by the Treaty of Nice.

Increased flexibility in the programming and implementation of the vertical audit groups' tasks. Although Members will continue to fully perform their roles in the ECA within both their respective audit groups and the College, they are no longer in charge of audit in a specific field of policy. Instead, they are responsible for individual audit tasks entrusted to them by their group or the College. The concept of a sector has been abandoned, and the groups are now organized into divisions.

Each vertical audit group draws up its annual work program in accordance with guidelines laid down by the College. The tasks are then entrusted to audit teams within the divisions, under the responsibility of a Member rapporteur.

Deans will be appointed by the group Members for 2-year renewable terms. With the agreement of group Members and the Director's assistance, the Deans will coordinate group tasks and may assume related audit responsibilities.

The new structure can be found at www.eca.eu.int/eca/organisation/eca_organisation_organigramme_en.htm.

For additional information, contact: ECA, fax: +352 4398-46430; e-mail: euraud@eca.eu.int; Web site: www.eca.eu.int.

Who Audits the Auditor?

The International Peer Review of the Office of the Auditor General of Canada

By Andrew Ferguson and Bill Rafuse, Office of the Auditor General of Canada

A fundamental goal of the Office of the Auditor General of Canada (OAG) is to promote good governance in Canada's federal government departments and agencies. Following through on its commitment to good governance in its own work, the OAG underwent an external review of its financial audit practice in 1999. Auditor General Sheila Fraser took the next logical step in 2002-2003 and formally committed the OAG to undergo an external review of its performance audit practice by 2005. This article summarizes the process that was followed to carry out that review.

The purpose of the review was to assess the extent to which the OAG's performance audit practice reflects recognized professional standards and is operating effectively to produce independent, objective, and supportable information that Canada's Parliament can rely on to examine the government's performance and hold it to account.

The OAG's peer review was the first time the legislative audit practice of an SAI was assessed by a team of its international peers. The review was carried out in accordance with commonly accepted auditing principles over the course of a year by a team led by the United Kingdom's National Audit Office with representatives from the SAIs of Norway, the Netherlands, and France. The U.S. General Accounting Office (now the Government Accountability Office) participated as an observer and prepared a lessons learned report on the process.

Preparing for the Review

Planning for the peer review began in earnest in late 2001, led by the OAG's Professional Practices Group. The first step was consolidating the observations and findings of all recent reviews, reports, and action plans related to the OAG's performance audit practice and updating the status of their recommendations. Lessons learned from the 1999 external review of the financial audit practice were documented, and the external review practices of several SAIs were reviewed to identify good practices.

In January 2002, the results of that work were presented to the OAG's Executive Committee, which recognized that all of the office's committees concerned with the performance audit practice would have to be involved in preparing for the review. The most important committee was the Practice Development Committee, which is responsible for approving policy, guidance, and methodology related to performance audits. The Audit Committee was assigned an oversight role, and the Auditor General's Panel of Senior Advisors provided independent advice. A small internal working group with membership from across the office was also created to keep employees informed and to provide guidance and advice as the preparations progressed.

On the advice of her panel, the Auditor General decided to extend the review to all performance audit work included in her periodic reports to Parliament for 2003, with the external review team reporting back to her early in 2004. That decision effectively limited the preparation period to 8 months.

The Executive Committee agreed that the reviewers should assess the design and operation of the quality management framework (QMF), the policies and procedures that govern the OAG's performance audit practice. The next step was to determine what policy and practice changes were needed to be "review ready" by January 2003. The OAG recognized that because continual improvement is a basic part of the quality management process, the review could not wait for the audit practice to reach a "steady state." However, it also understood that some improvements should probably be accelerated. The Professional Practices Group asked the OAG's Assistant Auditors General for their input and, in June 2002, presented the major opportunities for improvement to the Executive Committee. A proposal to develop and implement these changes was approved in July, followed in August by an implementation plan outlining the necessary methodology projects, internal practice reviews, consultation, and training.

A communications plan was developed to inform and engage employees at all phases of the review. As preparations for policy and methodology changes moved into high gear, communications were targeted to the audit practitioners who would be affected most directly by the review. This included e-mails to alert them of pending changes to the performance audit manual, practice advisories to provide guidance as changes were approved, training sessions, and events such as the OAG's annual performance audit symposium.

In September 2002, the Professional Practices Group undertook an internal practice review "blitz" to assess adherence to policy, identify opportunities for improvement, and provide the Auditor General with assurance that the performance audit practice was robust.

At the direction of the Executive Committee and concurrent with the internal review and methodology initiatives under way, the OAG engaged consultants to carry out several separate examinations of the office's performance audit policies and practices. The objective was to get an outside opinion to validate whether the OAG's own assessment of its policies and practices was accurate.

In this initiative, the offices of the Auditors General of British Columbia and Quebec each completed a review of OAG performance audits. The OAG also contracted with an outside consultant to carry out a gap analysis of its QMF relative to the Quality Management Standard promulgated by the International Organization for Standardization (ISO). Finally, the London School of Economics' Enterprise LSE Ltd. was engaged to evaluate two of our products using their criteria for performance audit reports.

Preparations for the peer review concluded with the launch of a revised performance audit manual in December 2002. The revised manual represents the culmination of an intensive period of action that was sustained by the leadership of the Executive Committee, the hard work of the Professional Practices Group, and, most importantly, the strong support of practitioners and audit services employees across the office.

In December 2002, the Auditor General met again with Parliament's Public Accounts Committee to brief its members on plans for carrying out and reporting on the peer review. The Committee expressed its support for the peer review process and, in particular, for the Auditor General's plans to publicly report the results.

Establishing the Ground Rules for the Review

In February 2003, the OAG asked members of INTOSAI if they would be interested in participating in a peer review of the OAG's performance audit practice. There were a number of important reasons why the Auditor General decided to engage the international audit community and to adopt a peer review model for the external review of the OAG's performance audit practice.

First, it was considered critical that **the review team be free and appear to be free of any conflict of interest or other impairment to its independence.** This ruled out a fee-for-service arrangement, such as a contract with a local consulting or accounting firm. The option of forming a team of representatives from Canada's provincial auditors general was also ruled out since several of their audit offices participate with the OAG in other endeavors, including practice reviews.

Second, **it was essential that those engaged in the review be competent to perform the necessary work.** Many members of the international audit community have mandates similar to the OAG's and have been engaged in performance audit work for decades. SAIs understand the mechanics of legislative audit at the national level and possess the knowledge, experience, and skills required to carry out the work.

Finally, **it was important that the approach adopted for the review be widely understood and recognized as credible.**

A Focus on Independence, Objectivity, and Reliability

Within a few weeks, several SAIs had expressed interest, and in late February 2003 the group met to discuss how a peer review of an SAI could be carried out.

It quickly became apparent that other SAIs might also be interested in undergoing a peer review. Early discussions therefore centered on values and principles that SAIs share and that could form the basis of a common approach to peer reviews of SAIs.

After considerable discussion, the peers agreed that a principles-based approach focusing on independence, objectivity, and reliability should be acceptable to all SAIs contemplating a peer review. Beyond those shared principles, it was agreed that SAIs should be assessed against the standards of professional practice applicable in their home countries and that peer reviews should be carried out in accordance with commonly accepted auditing principles consistent with INTOSAI's Code of Ethics and Auditing Standards.

The peers also agreed that SAIs should be free to specify supplementary criteria for their own peer review should they wish to do so.

Independence, competence, and credibility were prerequisites for the review team and the process.

The peers agreed that such reviews should

- *examine both the design and the operation of the SAI's audit practice;*
 - *focus on key controls related to independence, objectivity, and reliability;*
 - *use the standards of professional practices applicable in the SAI's own country; and*
 - *be carried out in a collegial manner so as to maximize learning for all concerned.*
-

Discussions progressed to the practical considerations of performing peer reviews, including details such as the level of effort involved, leadership, methodology, objectives, scope, and criteria.

The peers agreed it was crucial that peer reviews be tightly focused and professionally executed so that the level of effort and the financial resource requirements would not be unnecessarily burdensome to either the reviewers or the reviewed SAI. If the peer review process were to prove too burdensome, the appetite for performing or undergoing one would quickly fade. It was agreed that an SAI should request a peer review only after a thorough self-assessment demonstrated the audit practice and the organization to be review-ready.

The peers also agreed that some advance work could be done to manage the level of effort involved. First, peers could examine the documented management framework underpinning the SAI's audit practice to determine whether obvious gaps existed between the documented practice requirements and the key principles of independence, objectivity, and reliability or the standards of professional practice applicable in the SAI's country. The peer reviewers could carry out a design assessment relatively quickly at their respective home offices to identify matters that the SAI should address before undergoing a full peer review.

Second, the SAI's internal practice review function could be assessed to determine whether the peer review could rely on it to provide assurance of the SAI's compliance with applicable professional standards. If a high degree of reliance was indicated, the peer review could then focus on whether critical processes and controls that support the fundamental attributes of a good performance audit practice—*independence, objectivity, and reliability*—were operating effectively.

The peers also agreed that an important aspect of peer reviews would be the learning experience they afford for all concerned. It was agreed that peer reviews should be carried out in a collegial manner, with open and transparent communication between the review leader and the reviewed SAI throughout the process. There should be no surprises.

Thus, the peers agreed on an open, transparent peer review process with three key elements:

- **design assessment**—to determine whether the management framework underpinning the SAI's performance audit practice reflects applicable professional standards and appropriate measures to ensure that the products of the practice are independent, objective, and reliable;
- **reliance assessment**—to determine whether the SAI's own practice review/inspection function provides assurance that the practice is operating in compliance with the SAI's policy expectations and applicable professional standards; and
- **implementation assessment**—to determine whether the performance audit practice is operating effectively to provide users with independent, objective, and reliable information.

Assembling the Team and Performing the Peer Review

The peers met again in April 2003 to plan the necessary work for the Canadian peer review, including details of the approach, process, and administrative arrangements. In May 2003, the OAG and the review team signed a memorandum of understanding to officially launch the process. Each participating SAI agreed to assign two senior-level performance auditors to the review team. As the reviewed SAI, the OAG agreed to cover the costs of the team's travel and accommodation in accordance with its own policies and regulations.

The first component of the review—the design assessment—began in June 2003. The peer review team examined the OAG's quality management framework (QMF). The team examined the direction available to audit practitioners to determine whether it reflected applicable standards of professional practice and the legislative authorities in the Auditor General Act. The team also looked for mechanisms in place to ensure due regard to economy and effectiveness in the conduct of the OAG's work.

The reliance assessment also took place in June. It focused on the OAG's practice review function to determine whether it could be relied upon to provide assurance of compliance with the QMF.

The implementation assessment began in early July, when the review team selected the first sample of performance audit files to examine. The implementation assessment focused on whether the QMF for the performance audit practice operated effectively to meet its goals of producing independent, objective, and reliable information and ensuring that the work is carried out with due regard to economy and effectiveness.

During the implementation assessment, the peer review team met three more times over 5 months to compare notes and discuss preliminary findings and recommendations. Members also communicated regularly by e-mail and telephone.

In November 2003, the peer review team spent 2 weeks at the OAG's Ottawa headquarters conducting interviews and focus groups with performance audit practitioners, functional area leaders, subject matter specialists, and senior executives. The discussions were intended to confirm the peers' understanding of the key elements of the QMF and to verify that management and staff clearly understood their roles and responsibilities in its effective operation.

The peer review team presented its initial findings to the OAG's Executive Committee at the end of November 2003 and completed its report in February 2004. The team concluded that the OAG's performance audit practice was suitably designed and operating effectively to achieve its objectives.

Responding to the Peer Review Report

The peer review report and the action plan the OAG prepared to address the suggestions for improvement were tabled at a meeting of the Public Accounts Committee in March 2004. They are available on the OAG's Web site (www.oag-bvg.gc.ca).

In developing its action plan, the OAG identified senior-level "champions" with leadership responsibility for each action item. The OAG's Executive Working Group

for Strategic Planning assumed oversight responsibility for implementation of the action plan and called for quarterly progress reports on the status of each action item. Overall progress on the action plan will be reported periodically to the OAG's Executive Committee and publicly in the OAG's annual performance report.

Lessons Learned

The peer review of the OAG's performance audit practice demonstrated that an international team can perform an external review that will satisfy appropriate standards, provide value to the reviewed organization, and afford a learning experience for review team members and the reviewed SAI alike.

However, the decision to undergo a peer review should not be taken lightly. The review and preparations for it require careful consideration and management by both the reviewed SAI and the review leader. SAIs contemplating a peer review should note that the process requires a significant investment of financial and human resources for the international peers involved and for the reviewed SAI. The OAG has estimated that the peer review of its performance audit practice cost about Canadian \$800,000 over the 2-year period.

Still, the OAG believes the investment in peer review was worth the effort. It is pleased with the new relationships the process has fostered and the overall outcome. In its report to the House of Commons, the Public Accounts Committee said the following:

Having independent and external confirmation of the soundness of the Office's value-for-money practices provides additional assurances about the integrity of the accountability process of the Office of the Auditor General of Canada and adds credibility to its efforts to provide objective, supportable and reliable information on the administration of government programs and activities.

The Committee wishes to emphasize the excellent work that the Auditor General and her Office consistently provide in supporting all Parliamentarians in their efforts to hold Government to account. Canadians can take a great pride in knowing that the Office of the Auditor General has set and maintained high standards of professionalism and dedication to its responsibilities.

That was exactly the result the OAG had aimed for.

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Looking to the Future: E-learning and SAIs

By Patrick Callaghan, Information and E-learning Manager, INTOSAI Development Initiative

E-learning is the combination of training with technology. Although used only to a limited extent by SAIs at present, e-learning offers the potential to widen the availability and effectiveness of quality training products. This article gives an overview of how e-learning could affect the future learning environment in SAIs and the steps the IDI has taken to date toward developing an e-learning strategy.

The IDI's Mandate to Investigate Distance Learning Programs

Learning is vital to the health of SAIs, and INTOSAI recognized its crucial role when it established the INTOSAI Development Initiative (IDI) in 1986. Since that time, the IDI has worked with SAIs at the regional and local levels to facilitate quality training and capacity-building on key audit and management issues. In goal 5 of its *Strategic Plan 2001-2006*, the IDI is charged with the task of exploring the potential of distance learning programs, including e-learning, to enhance training and capacity building in SAIs.

This article uses the term e-learning as a shortened way of saying “e-learning or blended learning.” It is worth clarifying the meaning of both of these terms.

E-learning can be defined as learning through information and communication technologies, including the Internet. Many companies offer commercial e-learning solutions, from software that allows organizations to seamlessly integrate their human resource, personnel, and personal development systems, to companies that design and host individual courses. E-learning can also be delivered using corporate intranets (internal Internet-based systems) or stand-alone computers or be published on CD-ROM.

Blended learning is a fairly new concept that merges elements of e-learning and classroom learning into a “blend” that suits the circumstances of a particular training intervention. For example, a course might begin with a videoconference, after which participants carry out group exercises using Internet pages and Internet-based discussion forums or chat rooms. There could be a second videoconference followed by individual home study and coursework supported by online instructors and ending with a short classroom meeting. Many people see blended learning as the way forward because it is the most flexible approach to training.

E-learning Is a Logical Next Step for SAIs

In some sectors, e-learning has a reputation for being expensive to develop, and some wonder whether it is worth pursuing at all. It is certainly true that e-learning had an inauspicious start and that there have been many examples of failed implementation. Fueled particularly by the North American corporate market in the 1980s and 1990s, e-learning companies anticipated huge profits. Some corporations closed down internal training departments in favor of buying “off-the-shelf” e-learning solutions. However, in many cases student enrollment and retention were poor. The reasons for this were

obvious: these commercial e-learning products were designed for the corporate market, which often encompasses numerous professions and corporate business styles. So, for example, generic courses on performance management, human resources, and change management proved to be almost useless because they did not reflect the circumstances of individual organizations.

E-learning does, however, have its success stories, and it does have applications that can benefit SAIs. Courses that highlight aspects of specific legislation or cover more narrowly defined aspects of professional and personal development can be important additions to other organizational training. In recent years, e-learning has had increasing acceptance as a result of its ability to mimic the pedagogical successes of classroom training while offering significant economies of scale, including financial savings. If, for example, an SAI has 1,000 auditors in several regional offices, all of whom need to be trained in performance auditing, the development of an e-learning course may be a viable solution. If the course is designed and delivered well and staff have access to appropriate technology, e-learning is a potentially useful way of approaching such large-scale training programs. Within the IDI context, there is little doubt that e-learning offers economies of scale, particularly in the different English-speaking regional working groups, where SAIs from multiple regions could be invited to participate in the same courses.

Investigation on E-learning within International Organizations

As the IDI has begun to explore the potential of e-learning, it has considered possible barriers to success within the INTOSAI community, including the lack of access to technology. The IDI has identified several international organizations that have developed mature e-learning solutions that INTOSAI might be able to benefit from in the future.

To better understand how barriers to e-learning could be lowered, the IDI met with several international organizations in October 2003. The response from these institutions was largely positive, and future partnerships may eventually be developed. The World Bank's Global Development Learning Network (GDLN) centers provide a good example of options for collaboration. GDLN centers have been established in more than 60 mostly developing countries, with mixed regional coverage, and there are plans to expand the number significantly in the coming years. The centers have fully supported videoconferencing and Internet facilities for use by stakeholders, and these are backed up with fast telecommunications networks. These facilities make training through videoconferencing and/or e-learning a viable prospect in those countries.

E-learning Pilot Workshop in 2004/2005

The IDI is currently fulfilling its mandate to test the potential for e-learning through a planned activity with one regional working group. The IDI will fund the design and delivery of a performance auditing course in the pilot region during 2004 and 2005. The project will be delivered in partnership with a development organization based in that region and will use its established e-learning product.

The course will be delivered completely online using the Internet, chat rooms, e-mail, and discussion forums. Although the design and course administration will be handled by the partner development organization (with subject matter support from the

region), the course staffing will come from within the region itself. The staffing commitment is significant—the region will need to provide a subject matter expert to advise the designers, a course coordinator with knowledge of the subject to oversee the delivery, and at least four tutors to manage the student experience on a daily basis. The course will be aimed at 60 participants from over 10 countries who will be expected to devote about 10 hours a week to this training course for 8 to 10 weeks.

At the end of the pilot, the IDI and pilot region will assess the success of the e-learning course. While there are sure to be many lessons to learn from such a new and demanding project, the project partners have high hopes that this will be the first of many such e-learning courses. A pilot with 50-60 successful participants will be a clear demonstration of the economies of scale that e-learning offers. Furthermore, as long as enough suitable tutors can be found to manage the learning environment, there is no limit to the number of students who can take the course at any one time in the future.

The IDI Will Develop E-learning Guidelines for SAIs

The IDI is committed to the development of e-learning guidelines for SAIs. The IDI's general guidelines for SAI trainers (see <http://www.idi.no/english/guidelines/guidelines01.asp>) already exist. These guidelines promote the IDI's systematic approach to training and provide in-depth information on the five stages of that approach (analysis, design, development, delivery, and evaluation). Although the five-step approach can be the same within the e-learning environment, the attributes of each step will be different, and new guidelines will need to be developed to reflect these differences. Also, the e-learning guidelines will need to be an ongoing project in order to adapt to changes in the e-learning market.

Other Potential Benefits of E-learning Programs for SAIs

Exploring the potential of e-learning is not just about putting theory into practice but also about theorizing and modeling. Exploration is a powerful word that creates images of journeys into the unknown or scientific research. In the IDI context, exploration is also about finding solutions to problems and discovering new methods of working, even when the existing methods appear to be working well.

Over the course of the next 2 years and beyond, the IDI may also investigate several other facets of e-learning. While the IDI cannot commit to any of these potential projects at this time, they are in the forefront of its organizational thinking on e-learning.

E-learning Training Leading to Qualifications

One of the most significant reasons learners drop out of e-learning courses is a lack of motivation. Learners are generally more motivated if they know they will receive a recognized qualification at the end of a course, and the IDI has for some time wanted to pursue more long-term courses leading to accredited qualifications. However, this would require the full backing of the INTOSAI community to build modules in, for example, performance or financial auditing that would generate credits in masters programs at major academic institutes. The modules would have to be extremely robust to meet the requirements of academic institutions, and the design and

development work would be time-consuming. This is a vision for the future, and perhaps a distant future.

Developing E-learning Courses within Regions and SAIs

With the development of its Long Term Regional Training Program (LTRTP) in 1996—which has now been delivered at least once in all regional working groups—the IDI committed itself to establishing sustainable training infrastructures so that regional working groups will ultimately not have to look beyond the boundaries of their own regions to find the skills and experience to develop regional workshops. In many regions this is now a reality. The IDI is aware of the risks to regional sustainability and self-sufficiency in developing e-learning strategies. As there is a community of regional training specialists in each region, why not a community of regional e-learning developers as well? Tools for straightforward self-development are becoming more common and accessible (as well as cheaper and available in multiple languages). By giving suitable training and tools to the right people in regional working groups, the IDI could help develop regional capacity to develop national and regional e-learning courses.

Standardization of E-learning Products

The e-learning market is slowly developing standards that, in the future, will give assurance that standardized e-learning products can be reusable. The standard that is favored to lead the way is SCORM (Sharable Content Object Reference Model), a specification that provides some assurance of accessibility, reusability, and interoperability for e-learning courses developed within a learning management system (LMS). An LMS is an integrated piece of software that manages the learning process, including tracking learner interactions, managing test results, and highlighting those learners not progressing through courses at the correct pace. In simple terms, SCORM-compliant systems should be able to reuse e-learning courses and modules. Within INTOSAI, one possible e-learning scenario would give SAIs the opportunity to swap e-learning modules. In the IDI context, that would be a significant goal. Just as the IDI has opened access to quality-assured classroom course materials through its *International Training Directory* (see <http://www.idi.no/english/directory/index.asp>), SAIs would maximize the value of their e-learning creations to the INTOSAI community by developing a series of SCORM-compliant e-learning objects. In the future, the IDI will consider drafting guidance to SAIs on the development of standardized e-learning objects.

This article has attempted to identify only a few of the many e-learning issues relevant to the SAI context at this time. Since e-learning is a constantly changing discipline, market, and profession, the IDI's course of action is defined (by its strategic plan) only until the end of 2006. In the future, the IDI will continue to follow policies that represent the wishes of SAIs in developing countries. While the role of e-learning within any new IDI strategy is unclear at this time, the IDI will certainly be prepared to face the e-learning challenges of the future.

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Developing International Auditing Standards: Cooperation between INTOSAI and the International Federation of Accountants

By Kelly Ånerud, Deputy Director General, Office of the Auditor General of Norway

The recent memorandum of understanding between INTOSAI's Auditing Standards Committee (ASC) and the International Federation of Accountants' (IFAC) International Auditing and Assurance Standards Board (IAASB) is an important step forward in the development of INTOSAI's financial auditing guidelines. Many SAIs are involved in this worldwide effort, bringing both public and private sector auditors together on a global basis.

IFAC and the IAASB

IFAC is the global organization for the accountancy profession. Founded in 1977, it has its headquarters in New York. IFAC works to protect the public interest by encouraging high quality practices on the part of the world's accountants. IFAC has 158 member organizations from 118 countries and represents over 2.5 million professionals from private auditing and accounting firms, the public sector, business, industry, and higher education.

IAASB is IFAC's standard-setting body. As outlined in IAASB's annual report for 2003, its objective is to serve the public interest by setting—independently and under its own authority— high-quality auditing, assurance, quality control, and related standards.

Most of IAASB's 18 members are practicing auditors and accountants representing IFAC's member organizations throughout the world. Three are "public members," representing, for example, academia, the public sector, or business and industry. Currently, two of the three public members represent the public sector.

International Standards on Auditing (ISA) are well-established auditing standards developed by IAASB. They are subject to continual revision and update, and new ISAs are developed as necessary.

IAASB's Consultative Advisory Group (CAG) consists of representatives from various user groups and provides input and feedback on IAASB's work program, project priorities, and major technical issues. INTOSAI has a representative in the CAG.

Development of International Auditing Standards

Numerous factors have influenced the development of international auditing standards in recent years. Several of these are outlined in the following sections.

Financial Scandals and the Need to Rebuild Confidence in the Accounting and Auditing Industry

Numerous financial scandals in recent years have been a primary influence on the development of international auditing standards. The accounting and auditing industry has lost credibility, and concentrated worldwide efforts are being made to rebuild confidence in the profession. Auditing standards related to quality control, risk assessment, risk management, fraud, and corporate governance have been given high priority by standard-setting groups.

The PCAOB: A New and Significant Player

As a result of the recent financial scandals, new legislation has been implemented in many countries, the most well known being the Sarbanes-Oxley Act of 2002 introduced in the United States. Among other things, this legislation establishes the Public Company Accounting Oversight Board (PCAOB). The PCAOB is a private sector, nonprofit organization. Its purpose is to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports. The PCAOB has a statutory responsibility to develop auditing standards to be applied in the audits of publicly listed companies in the United States. With the establishment of the PCAOB, the accounting and auditing industry is no longer able to function with the same degree of self-regulation it enjoyed before.

Globalization, Convergence, and the Need for Harmonized Standards

Globalization and international convergence have also been factors influencing IAASB's work on updating existing—and developing new—auditing standards. The European Union (EU) and the World Bank are looking for a wider use of harmonized, high-quality auditing standards. The EU requires companies listed on its stock exchanges to apply International Financial Reporting Standards developed by the International Accounting Standards Board. The EU has also indicated that it will require the use of ISAs for all audits performed in the EU. The United Kingdom's Auditing Practices Board plans to adopt the ISAs starting in 2005. Activities are taking place worldwide to harmonize the ISAs with national auditing standards. There is also a trend toward a greater harmonization of public and private sector auditing standards.

Contact between the Public and Private Sectors

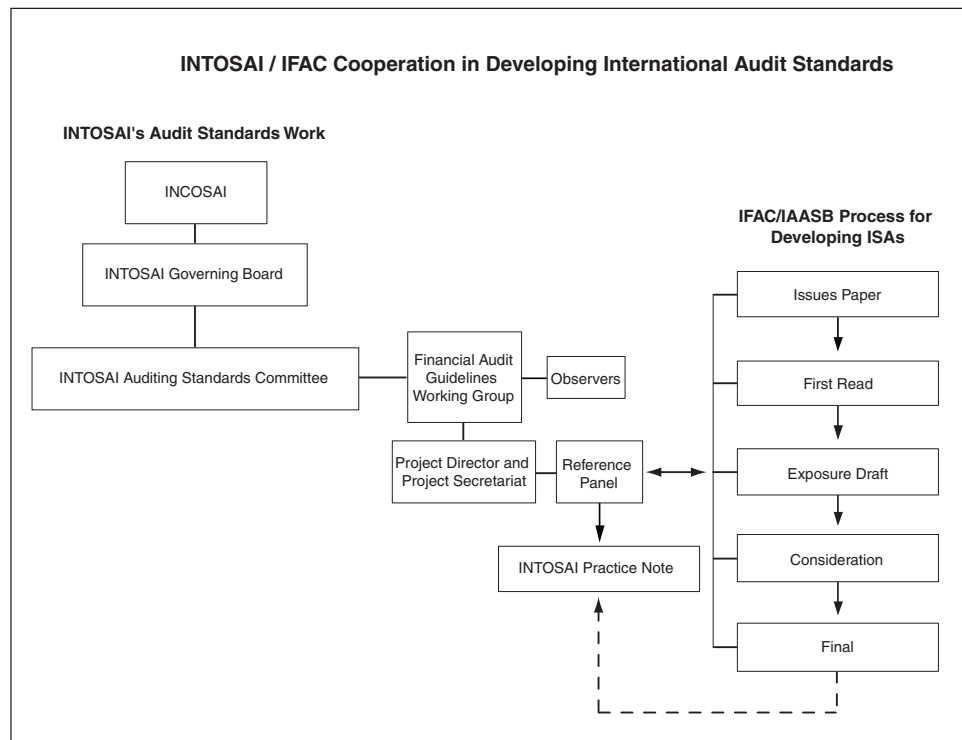
The public sector is already represented in several aspects of international audit standard-setting. For example, INTOSAI is represented on the IAASB and the CAG. Numerous SAIs already have well-developed public sector auditing standards. This is typical in countries like the United States and the United Kingdom, where certain government auditing work is outsourced to private contractors and then reviewed by the SAI. The SAIs in these countries have contact with national standard setters and are often consulted in the process of developing national auditing standards by, for example, participating in roundtable discussions.

Development of INTOSAI's Auditing Standards and Guidelines

INTOSAI's Auditing Standards Committee (ASC) has the task of developing INTOSAI's auditing standards. Within the ASC, the task of developing additional guidelines for financial audits has been delegated to the Working Group on Financial Audit Guidelines, which is led by the Swedish SAI. Its other members are the SAIs of Austria, Canada, Cameroon, Namibia, Norway, Tunisia, the United Kingdom, and the United States.

The development of financial auditing guidelines will make up the fourth level in the INTOSAI hierarchy, which presently consists of the Lima Declaration, the Code of Ethics, and the INTOSAI Auditing Standards.

Numerous alternatives for developing guidance at the fourth level were debated, and the ASC concluded that developing financial auditing guidelines for the public sector by drawing upon the ISAs would be the most robust and effective method. The memorandum of understanding that has been signed by INTOSAI and IFAC is regulating their cooperation in this regard. The following chart illustrates the cooperative process guiding the two organizations.



To coordinate the work on behalf of INTOSAI, a project secretariat has been established at the Swedish SAI. One of the secretariat's most important tasks is selecting experts from INTOSAI to participate in the IAASB task forces involved in developing ISAs. The experts are to contribute to the overall quality of the standards and provide input on specific issues and perspectives relevant for the public sector.

During the fall of 2003, INTOSAI's members were asked to nominate experts to participate in the development of the standards and guidelines. A total of 84 experts were nominated from 43 different countries. One INTOSAI expert is to participate on

each IAASB task force, assisted by two to three INTOSAI back-office experts. To the extent possible, the experts should represent different geographic areas and different organizational models (both auditor general and court models).

Based on their knowledge and experience, the experts will represent the broadly based interests of INTOSAI rather than their own SAIs. In addition to working on the IAASB task forces, the experts will consider, and if necessary propose, additional guidelines for practice notes. Practice notes will elaborate on specific public sector perspectives, in addition to what is included in the ISA, and provide guidance as to how the standard should be applied in the public sector. An INTOSAI financial auditing guideline will comprise both an ISA and a practice note.

There may also be topics that are highly relevant for public sector auditors but not for private sector auditors, such as compliance audits. Since there will be no applicable ISA in such areas, INTOSAI will need to develop its own guidance. At the INTOSAI Congress in Budapest, formal establishment of a separate INTOSAI working group, led by the Norwegian SAI, to address these areas will be proposed for approval.

Recent INTOSAI Activities

As reported in the April 2004 *Journal*, elected INTOSAI experts, as well as representatives from IFAC, attended a meeting in Stockholm in January 2004 hosted by the Swedish project secretariat. The group discussed the cooperation between INTOSAI and IFAC, the general framework for the work to be performed, the process for developing the ISAs and practice notes, and the role of the INTOSAI experts. The Stockholm meeting was an excellent opportunity for the various parties to meet and discuss progress to date and future plans.

In March 2004, the Cameroonian SAI hosted a meeting of the Working Group on Financial Audit Guidelines. Representatives from IFAC and one of the INTOSAI experts involved in an IAASB task force also participated in the meeting. The purpose of the meeting was to provide a status report on work carried out to date; agree on short- and long-term plans, priorities, and ambitions; and discuss cooperation and contact with IFAC, the World Bank, and the INTOSAI community and other challenges associated with the work. The group also received feedback based on INTOSAI's participation in the IAASB task force working on ISA 230 - Documentation. At a June 2004 meeting in Oslo, the Auditor General of Norway hosted a meeting of INTOSAI representatives to discuss the terms of reference for developing financial auditing guidelines for compliance audit.

Participants at the meeting in Cameroon also discussed some of the fundamental differences between the public and private sectors and the related challenges in developing financial auditing guidelines based on the ISAs. An example of this is the need for a common language in the standards that is meaningful to both public and private sector auditors. Another example is the public sector auditor's extended mandate, which includes elements of compliance as well as financial audit. At the meeting, participants agreed to an interim way forward in regard to these matters.



INTOSAI representatives from Norway, Sweden, and the United Kingdom at the June 2004 meeting in Oslo.

Conclusion

The cooperation between INTOSAI's ASC and IFAC's IAASB in developing international audit standards and guidelines provides many advantages. It is an excellent opportunity for INTOSAI to participate in a highly developed and professional international standard-setting process. Identifying and discussing issues from various systems and points of view can also enhance the quality of the standards and guidelines. This will be important in helping to establish robust best practice standards and guidelines that will benefit both the public and private sectors.

The knowledge built by participating in the IAASB task forces will be advantageous for INTOSAI in developing practice notes to provide specific guidance for public sector auditors. This working process will help INTOSAI develop the fourth level of guidance in a quicker and more efficient way than if it had carried out the work on its own. This is an advantage for the entire INTOSAI community—especially for countries that today do not have their own standards or guidelines.

Challenges still remain for INTOSAI, however. There is a continuing need for qualified experts to participate in IAASB task forces. Another challenge is the need for continued funding to ensure diversity related to INTOSAI's participation in the work. Translating the guidance into INTOSAI's five official languages will give rise to both linguistic and financial challenges in the future.

The cooperation agreement also has advantages for IFAC. IAASB's Chairman, John Kellas, sums up the cooperation as follows:

IAASB is delighted that we have an active working relationship with INTOSAI. We believe that the potential for a common core of auditing standards used by both Supreme Auditors and the private sector is a step towards common understanding and mutual acceptance of audit reports by the two sectors in a global context. IAASB has been very appreciative of the participation of INTOSAI members on our task forces and we hope the interaction will prove beneficial to all parties as new standards are completed and issued.

For an update on the work on specific ISAs and practice notes, see "Inside INTOSAI" on p. 36.

VIII ARABOSAI General Assembly Held in Jordan

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



Senior ARABOSAI officials convene a session at the Amman General Assembly.

From June 7-10, 2004, delegates from SAIs throughout the Middle East met in Amman, Jordan, to attend the 8th General Assembly of the Arab Organization of Supreme Audit Institutions (ARABOSAI), hosted by the Audit Bureau of Jordan. Participating SAIs were Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen. Guests and observers included Mr. Tawfeeq Bin Ibrahim Tawfeeq, former President of the General Auditing Bureau of the Kingdom of Saudi Arabia; Mr. David M. Walker, the Comptroller General of the United States; and staff of the General Secretariat of the Cooperation Council of the Arab Gulf States, the INTOSAI General Secretariat, the INTOSAI Development Initiative, and this *Journal*.

Opening Ceremony

The opening ceremony took place in the Royal Hotel in Amman. Mr. Salem Al Khazaleh, President of the Audit Bureau of Jordan and the incoming President of ARABOSAI, gave a heartfelt welcome to all participants. The meeting was held under the auspices of His Majesty King Abdullah II Ibin al-Hussein, who was represented by Prince Faysal Ibin al-Hussein. Also present were the Prime Minister, ministers and other senior Jordanian officials, and a number of ambassadors to Jordan from the Arab states.

Mr. Al Khazaleh opened the plenary by addressing many of the challenges to auditing public funds in the context of international changes. He called upon the Arab SAIs to

further the Arab “joint action system,” particularly with regard to disseminating technical knowledge and sharing experiences.

Dr. Ahmed El Midaoui, first president of the Supreme Board of Accounting in the Kingdom of Morocco and the outgoing president of the ARABOSAI Governing Board, reminded the participants of ARABOSAI’s objectives and praised the organization’s continuous efforts to pursue those objectives, which have enabled it to hold a prestigious position within INTOSAI and the regional SAI organizations. Ms. Faiza Kefi, First President of the Court of Accounts of the Republic of Tunisia and Secretary General of ARABOSAI, also expressed her satisfaction with the achievements of ARABOSAI, citing especially its seriousness and perseverance in the implementation of training programs and other activities.

Technical Theme Presentations

The 8th ARABOSAI General Assembly was organized around two technical themes. Plenary addresses introduced each theme and were followed by delegate debates on the professional and technical issues discussed in the principal papers and other presentations. Conclusions and recommendations were developed and approved for each theme.

Theme 1: Modernizing SAI Auditing Methods

The SAI of Kuwait served as president of the session while the SAI of Jordan served as the coordinator. Saudi Arabia prepared the comprehensive theme paper, and 11 other SAIs—Jordan, Tunisia, United Arab Emirates, Sudan, Iraq, Qatar, Kuwait, Lebanon, Egypt, Morocco, and Mauritania—also presented papers on the topic.

Conclusions and recommendations on this theme included the following.

- SAIs should be provided with complete management and financial independence.
- SAIs should be provided with financial and moral incentives so that they can (1) attract and retain staff who possess the necessary qualifications, competence, and specialized expertise to conduct audit work and (2) encourage others to participate in audit work.
- SAIs should pay attention to planning, executing, and setting standards for audit work as well as conducting the studies and research necessary to define and address the impediments to audit work.
- SAIs should be interested in the outputs of universities and specialized professional institutions in the auditing and accounting fields with a view to linking auditing and accounting education more closely with advances in the field of information technology.
- An ARABOSAI work team, composed of member SAIs, should be established to keep up with innovations in auditing, share knowledge with member SAIs, encourage staff secondments in order to be better acquainted with other SAIs, and define priorities.

- Member SAIs should modernize the systems and instructions governing the financial conduct of their respective governments and their own institutions.
- Member SAIs should apply the comprehensive auditing approach used by more advanced SAIs to replace the traditional auditing approach.

Theme 2: Relations and Complementary Functions of SAIs and Internal Audit Entities

Egypt served as president of the discussion session while Jordan served as coordinator. Iraq prepared the main study, and nine other countries—Jordan, Saudi Arabia, Sudan, Qatar, Kuwait, Lebanon, Egypt, Mauritania, and Yemen—submitted papers on this theme.

Conclusions and recommendations on this theme included the following.

- The laws governing SAIs should have language that compels the agencies being audited to implement recommendations put forth by audit agencies.
- SAIs should show appropriate concern for internal audit entities given the importance of the latter and the role they play in implementing auditing tasks and protecting public funds. If internal audit entities do not exist, SAIs should strongly encourage and support their creation or the integration of financial audit entities into the management structures of executive agencies.
- Internal audit entities should have an appropriate level of authority and independence in the executive agencies within which they operate. Executive laws and regulations should guarantee this authority and independence so that these bodies can carry out their tasks and achieve their objectives.
- In those cases where SAIs rely on the results of work performed by internal audit entities within the executive agencies, the SAIs must first check the audit scope and ensure that these internal audit entities are sufficiently independent and competent and that the work can be relied upon.
- SAIs should be concerned about corrective actions and reform as well as compliance.
- SAIs should be legislatively authorized to carry out comprehensive performance auditing. SAIs should also be concerned with preparing and developing standards to establish the appropriate relationship between internal auditing and financial auditing.
- Joint meetings should be held between SAIs and internal audit institutions—possibly with the participation of legislative and executive entities—to discuss economic and management problems and find appropriate solutions to them.
- SAIs should provide assistance and advice to executive agencies to complement their institutional development, including organizational structures, laws, and regulations, while at the same time ensuring that SAIs do not become executive bodies.

After the discussion of this theme and its recommendations, the General Assembly resolved that member SAIs should have the freedom to adopt those recommendations that suit their particular situation.

ARABOSAI Business

Dr. Ahmed El Midaoui, first president of the SAI of Morocco and president of the Governing Board, presented the board reports on ARABOSAI's activities and financial condition as well as the actions taken to implement its organizational plan of action.

The General Assembly approved the following during its meeting:

- scientific and training workshops for 2005 through 2007;
- the Governing Board's recommendation that the Training and Scientific Research Committee present a brief description of each workshop theme;
- three topics for the 8th scientific research competition: the role of SAIs in the accountability of public funds, SAIs and the application of electronic governance, and environmental auditing;
- continued commitment to translating INTOSAI's *International Journal of Government Auditing* and encouragement of SAIs to translate guidance issued by SAIs in advanced countries;
- the draft ARABOSAI financial program for the years 2005-2007 within specified limits; and
- three technical themes for the 9th General Assembly meeting: the role of SAIs in the administrative development of states; the contribution of auditing standards and procedural guides to enhancing the quality of audit work; and the development of auditing standards in light of electronic data systems.

During the General Assembly, Dr. Osama Jaffer Faqeeh, president of the SAI of Saudi Arabia and a member of the INTOSAI Governing Board and the Strategic Planning Committee, and Mr. David Walker, Comptroller General of the United States and Chairman of the INTOSAI Strategic Planning Committee, discussed the draft INTOSAI Strategic Plan that will be presented for approval at the Budapest Congress in October 2004 and responded to delegates' questions. Mr. Walker provided information on the extensive efforts that the Strategic Planning Committee has made to respond to member SAIs' comments and address any concerns. He also shared with delegates a presentation on the evolving role of SAIs, the changing nature of their work, and new methods and trends.

Election of the Governing Board and Audit Committee Members

During the general business session on the last day of the assembly, a new Governing Board for the ARABOSAI was elected. In accordance with the provisions of the ARABOSAI statutes, Dr. Ahmed El Midaoui announced the transfer of the General Assembly presidency to the Audit Bureau of Jordan. Morocco, which hosted the previous ARABOSAI Assembly, is the first vice president. Yemen, which will host the next ARABOSAI Assembly in 2007, is the second vice president. Dr. Abdullah

Abdullah Al-Sanafi of Yemen extended an invitation to the delegations to participate in the 9th General Assembly in the city of Sana'a. The delegates elected four member SAIs—Algeria, United Arab Emirates, Kuwait, and Egypt—to the Governing Board. They join the current members of the Governing Board—the Secretary General of ARABOSAI and the SAIs of Saudi Arabia, Bahrain, Libya, and Lebanon.

The General Assembly also resolved to set up a financial audit committee to audit ARABOSAI accounts for the years 2004, 2005, and 2006. The committee is composed of the SAIs of Sudan, Qatar, and Mauritania.

Other Activities

Throughout the conference, the President of the Audit Bureau of Jordan and his staff were gracious and hospitable hosts. Before the start of the General Assembly, delegates and invited guests toured the ancient city of Petra, a historical treasure of Jordan built over 2,000 years ago. On Tuesday evening, the participants were treated to an evening of Jordanian food and music. On Wednesday evening, delegates and guests enjoyed dinner at a hotel at the famous Dead Sea. On the last day of the conference, Mr. Salem Al Khazaleh presented delegates representing their SAIs with awards commemorating their attendance at the VIII ARABOSAI General Assembly. He also gave awards for the best articles presented at the conference.

For additional information, contact: ARABOSAI General Secretariat, c/o Ms. Faiza Kefi, First President of the Court of Accounts of the Republic of Tunisia, fax: ++71 76 78 68; e-mail: arabosai@gnet.tn.

Editor's note: The author wishes to acknowledge the contributions of Nadera El Tayyan, Audit Bureau of Jordan, to this article.

Audit Profile: The Office of the Auditor General of Botswana

By Moffat W. Rakgailwane, Senior Auditor, Performance Audit Unit

From the colonial period up to 1964, the headquarters of the audit office of what were known as the High Commission Territories (Bechuanaland Protectorate, Basutoland, and Swaziland) was based in Pretoria, South Africa. Each territory had a Senior Auditor. In the case of the Bechuanaland Protectorate, the Senior Auditor was stationed in Mafikeng, the capital. The post of Senior Auditor was later changed to Director of Audit.

The audit office of what was to become the independent country of Botswana was moved from Mafikeng to Gaborone in 1965 before independence. The office continued under a Director of Audit until 1970, when the title of the post was changed to Auditor General (AG).

The office focused primarily on financial audits, which addressed the accuracy, completeness, and timeliness of financial statements. Audit activities were carried out manually, and there was little planning with regard to such issues as the audit approach or the qualifications of the staff needed to be engaged in the audits.

The Office of the Auditor General (OAG) of Botswana has undergone significant changes and improvements since that time. The improvements have included the introduction of an audit manual and auditing standards; the merger with the local audit division; and the introduction of the performance audit division and computers. These have improved the quality and timeliness of the audit work, leading to a more positive outlook on the part of members of the public.

Mandate, Responsibilities, and Independence of the Auditor General

Section 124 of the Constitution of Botswana provides that there shall be an Auditor General and a public audit office. The AG is appointed by an act of Parliament, which is ratified by the President, in accordance with the Constitution and the Finance and Audit Act. The AG is empowered to examine the accounts of all ministries, departments, local authorities, councils, land boards, and parastatals. The Finance and Audit Act was amended to encompass performance auditing in addition to financial auditing.

The AG's responsibilities are detailed in section 29(1) of the Finance and Audit Act. The AG shall satisfy him/herself that

- all reasonable precautions have been taken to safeguard the collection and custody of public moneys and that the laws, instructions, and directions relating thereto have been duly observed;
- the disbursement of public moneys has taken place under proper authority and for the purposes intended by such authority;

- all reasonable precautions have been taken to safeguard the receipt, custody, issuance, and proper use of public stores and that the instructions and directions relating thereto have been duly observed; and
- adequate instructions or directions exist to guide the officers responsible for the collection, custody, issuance, and disbursement of public stores.

Vision, Values, and Ethics of the OAG

The vision of the OAG of Botswana is to be an independent and proactive SAI that is responsive to the needs and expectations of the nation and keeps abreast of regional and global developments.

The OAG's values and ethics are as follows:

- **Timeliness:** Reports will be produced on time.
- **Independence, Objectivity, and Impartiality:** Auditors will be impartial in both fact and appearance when dealing with auditees. Therefore, conclusions and opinions will be based exclusively on evidence provided.
- **Trust, Confidence, and Credibility:** The SAI will ensure that its conduct and approach are above suspicion and reproach.
- **Integrity:** High standards of behavior, such as honesty and candidness, will be maintained.
- **Professional Development:** Auditors will adhere to professional auditing standards.
- **Conflict of Interest:** Auditors will be made aware of issues that could jeopardize their independence, such as personal relationships.
- **Competence:** Auditors will follow international auditing, accounting, and financial management standards.
- **Political Neutrality:** Actual and perceived political neutrality will be maintained.

Mission Statement

The OAG's mission is to promote accountability, provide quality audit in the public sector, and assure the nation that public resources are applied to the purposes intended.

Primary Objective

The primary objective of the OAG is to enhance the socioeconomic development of the nation through the promotion of sound financial management and proper accountability for public funds and assets.

Types of Audits Conducted

Financial Audit: The OAG examines the financial statements and expresses an opinion as to whether the accounts show a true and fair view of the financial affairs of the

entity. The OAG's report is released annually for both the central government and parastatal government audits.

Performance Audit: Performance auditing focuses on the economy, efficiency, and effectiveness with which public resources are being handled and accounted for. The reports are issued upon completion.

Local Government Audits: These audits are conducted for the councils, land boards, and local authorities. The reports are issued upon completion within a particular financial year.

Information Technology (IT) Audits: These are primarily focused on the activities of the IT units within the audited entities. However, they are often used as a complement to the other types of audit.

Special Audits: These emanate from requests by the President, Members of Parliament, or the AG and warrant immediate attention.

Audit Process

The OAG adheres to the following procedures when conducting its audits.

- An engagement letter is issued to the auditee, where applicable.
- A planning memorandum is prepared.
- The planning memorandum is approved by the Assistant Auditor General (AAG).
- An audit program is prepared.
- The audit program is approved by the AAG.
- A pre-audit meeting is conducted.
- The audit is conducted.
- A letter of management is obtained, where applicable.
- A draft management letter is prepared and discussed with the AAG.
- The draft management letter is discussed with the head of department at an exit meeting.
- The management letter is finalized and auditee comments are incorporated.
- The management letter is approved by the AAG.
- The management letter is issued to the auditee.
- Follow-up is carried out.

Organization

The AG, who is independent from the executive, heads the OAG. A Deputy Auditor General (DAG) and four Assistant Auditors General (AAGs) assist the AG. The DAG's main duty is to coordinate sectional activities through the AAGs and the Under Secretary (US). The US is the head of administration.

The OAG is divided into six operational departments and/or divisions/units:

- The Administration Division handles the OAG's administration of finance, planning, and accounting.
- The Central Government Division audits all government ministries, departments, and capital projects.
- The Performance Audit Unit conducts value-for-money audits and performance audits on public spending.
- The Parastatal Audit Division audits parastatal organizations.
- The Local Government Audit Division, which has four sections, audits local authorities, councils, and land boards.
- The Special Operations Unit is responsible for audit reports, legislation and auditing standards, information system administration, and information systems audits.

Reporting

Section 124 of the Constitution and Section 29 (1) of the Finance and Audit Act empower the AG to report the results of OAG audits to the National Assembly through the Public Accounts Committee (PAC).

The PAC discusses the reports and makes recommendations for corrective action to the accounting or executive officers of audited organizations. By convention, the government must implement these recommendations. Thus, the reports help the government to exercise accountability. In this manner, the OAG plays a role in strengthening the democratic process and ensuring good governance.

Personnel

The OAG currently has approximately 98 auditors and 41 administrative staff. The auditing staff is made up of officers from varying educational backgrounds. These include certifications from the Association of Chartered Certified Accountants (ACCA) or Chartered Institute of Management Accountants (CIMA), undergraduate and masters degrees, diplomas, and computer specializations.

Challenges

The OAG faces challenges in a number of areas, including the following:

- the lack of skilled manpower, the shortage of computers, and limited funds;
- the lack of proper guidelines and procedures for staff training and development;

- having only one staff person in the newly established Quality Control Office;
- auditing “around” but not “through” the computer; and
- the lack of its own office building.

Future Prospects

The OAG has a strategic plan for 2003-2009 that focuses on two key result areas: accountability to the public sector and organizational effectiveness. The SAI has set goals and objectives with regard to these areas as well as concrete steps on how to achieve them. Specifically, the OAG’s goals are to achieve the following by March 31, 2009:

- provide high quality audit service that conforms to international auditing standards,
- report the performance and delivery of results by the public sector,
- create an audit environment conducive to public accountability in the nation,
- build a human resource capacity to deliver results,
- have processes in place that service the delivery of the core business,
- improve the efficiency and effectiveness of OAG operations, and
- manage contributions from stakeholders.

For additional information, contact: OAG, fax: ++267 58 81 45; e-mail: oag@gov.bw.

Reports in Print

Journal readers may be interested in the new publication called *The World Guide 2003/2004: An Alternative Reference to the Countries of our Planet*, which is available in English and Spanish. The guide, now in its fifth edition, provides profiles of 238 countries and territories. It also offers 25 brief essays on such topics as the depletion of species and natural resources, people who lack a voice and representation in the world community, the spreading tentacles of HIV/AIDS, and the accelerating expansion of cities and income inequality. The unique publication ends with an International Organizations Directory offering websites, and descriptions of 50 major governments and financial, military, and ecological organizations. It is produced by the Instituto Del Tercer Mundo, Montevideo, Uruguay. The English language publisher is New Internationalist Publications, Oxford, United Kingdom. For more information on the Spanish edition, visit www.item.org.uy. For information on the English edition, visit www.carepress.co.uk/wguide03.htm.

The Board of Audit of Japan has issued its annual publication entitled *Government Auditing Review, March 2004*. This publication contains articles prepared by academics and the staffs of governmental institutions in Japan. The articles cover a wide range of topics related to government auditing, including finance, public accounting, public administration, and public accounts. The current edition includes articles on medical payment systems, contracting systems for public works, government auditing by SAIs, analyses of budget systems, and SAI performance measurement. *Journal* readers may be particularly interested in the article "Performance Measurements of Supreme Audit Institutions in 4 Countries: Leading

by Example" by Nobuo Azuma, Director of the Study Division of the Board of Audit. This article tells how performance audit was introduced in Japan in 2001 but has yet to achieve its anticipated results. The author introduces the types of performance measurement used in Australia, Canada, New Zealand, and the United States and examines these countries' approaches to improving the quality of such measurements. It is published by the Study Division, Board of Audit of Japan, 1-105 Kandajimbo-cho, Chiyoda, Tokyo 101-8404, Japan; fax: +81-3-3581-8877; e-mail kenkyu@jbaudit.go.jp.

The Alan Shawn Feinstein International Famine Center has published its report on *Human Security and Livelihoods of Rural Afghans 2002-2003*. The report documents and analyzes recent countrywide trends in the relationship between human security and livelihoods throughout rural Afghanistan. Funded by USAID, the report emphasizes the important links among four key aspects of human security in the livelihoods of rural Afghans and the prospects for peace and development in the country in the longer term. The four aspects of human security are: human rights and personal security, societal and community security, economic and resource security, and governance and political security. The report is available on the Internet at www.famine.tufts.edu. For additional information, contact the Feinstein International Famine Center, Friedman School of Nutrition Science and Policy, Tufts University, 126 Curtis Street, Medford, MA 02155, USA; fax: +1 617 627 3428; e-mail: d.mazurana@tufts.edu.

ASOSAI has published its guidelines for dealing with fraud and corruption. During its 31st meeting in Manila, the Governing Board of ASOSAI established an ad hoc working group and a core member task force (comprising representatives from

Bangladesh, India, Japan, Korea, Malaysia, Nepal, Pakistan, the Philippines, Thailand, and Turkey) to develop regional guidelines for dealing with fraud and corruption. The guidelines were formulated based on the results of a survey questionnaire on existing approaches and practices used by ASOSAI members. The publication identifies 30 specific audit guidelines on fraud and corruption along with specific auditing principles and standards prescribed by INTOSAI. To obtain a copy, contact the Commission on Audit, Republic of the Philippines, Commonwealth Avenue, Quezon City, Philippines; fax: +632-931-9223; e-mail: gemcarague@coa.gov.ph; Web site: www.coa.gov.ph.



Update on the Development of Financial Audit Guidelines

Through the *Journal*, the INTOSAI Auditing Standards Committee (ASC) will regularly update the INTOSAI community on progress being made in the development of financial audit guidelines. ASC is carrying out this work through a working group, chaired by Sweden and consisting of nine SAIs; a project secretariat set up at the Swedish National Audit Office; and contributions by members of a reference panel of 87 audit experts from 46 SAIs.

The development of the guidelines is based on close cooperation with the International Federation of Accountants' (IFAC) International Auditing and Assurance Standards Board (IAASB) with the aim of including public sector considerations in the International Standards on Auditing (ISA). See the article "Developing International Auditing Standards: Cooperation between INTOSAI and the International Federation of Accountants" (p. 20) for additional information on this collaborative effort.

Work in Progress on ISAs

Currently, work is in progress on the following ISAs where INTOSAI experts are involved:

ISA 230 – Documentation

Expert: Ms. Kelly Ånerud, Norway

Back-office experts: Mr. John Fretwell, United States; Mr. Inge Danielsson, Sweden

Final version expected in June 2005 and Practice Note due in March 2006

ISA 701 – Modifications to the Auditor's Report

Expert: Ms. Bettina Jacobsen, Denmark

Back-office experts: Ms. Mary Radford, United Kingdom; Ms. Marcia Buchanan, United States

Final version expected in March 2005 and Practice Note due in December 2005

ISA 260 – Communications with Those Charged with Governance

Expert: Ms. Tove Myklebust, Norway

Back-office experts: Mr. Filip Cassel, Sweden; Mr. John Fretwell, United States

Final version expected in December 2005 and Practice Note due in September 2006

ISA 800 – Auditor's Report on Special Purpose Audit Engagements

Expert: Mr. Jonas Hällström, Sweden

Back-office experts: Mr. Demsash Betemariam, Ethiopia; Mr. Martin Dees, the Netherlands; and Mr. Robert Cox, New Zealand

ISA 550 – Related Parties

Expert: Mr. John Thorpe, United Kingdom

Back-office experts: Ms. Zainun Taib, Malaysia; Mr. Uwe Schreiner, Germany; and Ms. Goranka Kiralj, Slovenia

ISA 580 – Management Representation

Expert: Ms. Vijaya Moorthy, India

Back-office experts: Mr. Martin Garrido, Chile, and Mr. Ennio Colasanti, Italy

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

Work in Progress on Practice Notes

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

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

Appointment to the Focus Group

As mentioned in the July 2004 issue of the *Journal*, a focus group has been created to ensure that public sector issues are considered at as early a stage as possible in the process of deciding which ISAs need to be developed or revised. This focus group is proud to welcome a new member, Mr. Graham Randall from the Office of the Auditor General of South Africa, who joins Ms. Vijaya Moorthy from the Office of the Comptroller and Auditor General of India, Ms. Mary Radford from the National Audit Office of the United Kingdom, and Mr. Filip Cassel from the National Audit Office of Sweden.

New Project Director Appointed

We are pleased to announce that a new project director, Mr. Jonas Hällström, has been named to the Project Secretariat. Mr. Hällström has worked at the National Audit Office of Sweden since 1993 and is an Authorized Public Accountant and a Certified Information Systems Auditor (CISA). He previously worked 11 years at PricewaterhouseCoopers.

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

EUROSAI Working Group on Environmental Auditing

For the past 5 years, the Polish Supreme Chamber of Control has served as the coordinator of the EUROSAI Working Group on Environmental Auditing (WGEA) by virtue of a resolution adopted by the 5th EUROSAI Congress, held in Paris in 1999. With the support of regional subcoordinators (the SAIs of France, Malta, Romania, Norway, the Netherlands, and Russia), the Chamber has undertaken a number of initiatives to encourage European SAIs to participate in WGEA activities, especially parallel international audits and WGEA seminars and meetings that promote the exchange of information on audit findings related to environmental protection.

Environmental auditing has become an important audit activity for the European SAIs. Each year, the EUROSAI WGEA holds environmental auditing seminars to exchange related information between European and non-European SAIs. SAI representatives from other regions of the world, along with representatives of organizations involved in

environmental protection, are regularly invited to participate. This year, the EUROSAI WGEA will hold a meeting, combined with a seminar on biodiversity and nature protection, in Sofia, Bulgaria, November 2-5, 2004. In addition to members from European SAIs, representatives of all the INTOSAI regional working groups on environmental auditing have been invited (including AFROSAI, ARABOSAI, ASOSAI, OLACEFS, SPASAI, and the WGEA Chair-Canada) to present findings from environmental audits completed in different regions of the world. Representatives of the Secretariat for the Convention on Biodiversity Protection have also been invited to participate in this year's seminar.

The EUROSAI WGEA's recommended auditing priorities, listed in its strategy, are

- protection of biodiversity and nature, with a special focus on endangered species;
- waste management, with a special focus on radioactive waste;
- protection of the atmosphere, with a special focus on cross-border pollution; and
- protection of water, with a special focus on pollution generated by agriculture.

Experiences resulting from already completed environmental audits make the EUROSAI WGEA's activities an important source of information on the observance of provisions of international environmental agreements and conventions ratified by particular countries. This information is presented both at meetings of WGEA members and on the EUROSAI WGEA Internet page. It constitutes an important contribution to activities designed to improve the state of the natural environment and promote sustainable development.

For additional information, contact: EUROSAI WGEA, e-mail: eurosai-WGEA@nik.gov.pl; Web site: www.nik.gov.pl.



IDI Update

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

SPASAI Workshop on International Accounting Standards

During August and September 2004, SPASAI held a regional workshop in Fiji on international accounting standards. The workshop—developed for senior and middle managers in SAIs and funded by IDI—was designed to familiarize participants with International Accounting Standards (IAS) and International Public Sector Accounting Standards (IPSAS). It also compared the application of these standards in the private and public sectors.

Increasing the Pools of Regional Training Specialists

Apart from EUROSAI, where Phase 1 ended successfully in 2003 and Phase 2 is currently in progress, IDI has completed its Long Term Regional Training Program (LTRTP) in all regional working groups. One of the LTRTP's principal developments is the creation of a pool of regional training specialists. In two regions, ARABOSAI and ASOSAI, a second group of these specialists was trained during 2002-2003.

IDI has confirmed plans with OLACEFS and CREFIAP (the Regional Organization for the Strengthening of SAIs of Francophone Sub-Saharan Africa) to develop a second pool of training specialists in each region during 2004-2005. In both cases, a Participant Orientation and Skills Assessment Workshop (POSAW) will be held to select the most appropriate candidates from each participating SAI. The use of the POSAW model for participant selection has become an established practice since it was used successfully during the preliminary stages of EUROSAI Phase 2. Further reports on these programs will appear in future editions of IDI Update.

Environmental Auditing in OLACEFS

OLACEFS has begun developing a 2-week environmental auditing workshop. Using translated course materials from the workshop jointly developed by IDI and the INTOSAI Working Group on Environmental Auditing during 2002-2004, training specialists and subject matter experts from OLACEFS met for a redesign meeting in Brazil in September 2004, where case studies and exercises based on regional environmental priorities and scenarios were incorporated into the course. The first delivery of the workshop is scheduled for November-December 2004 in Colombia, with a second delivery planned for the first half of 2005.

ASOSAI Prepares for Its First Public Debt Workshop

IDI recently funded a design meeting, the first stage leading to the delivery of an ASOSAI public debt workshop. The meeting, which was hosted in Beijing by the SAI of China, brought together eight ASOSAI training specialists and a subject matter expert from the U.S. Government Accountability Office (GAO). To give the training specialists a firm grounding in the subject, public debt experts from the Asian Development Bank and Moody's Investor Services also participated.

The project has links to two other IDI projects. The design work was based on an initial 2-day design intervention carried out during the ASOSAI Regional Symposium in Thailand during March 2004. Also, the same GAO subject matter expert participated in this project as in the earlier OLACEFS public debt program, providing

continuity between the two. The ASOSAI public debt workshop is scheduled for delivery in Australia in October 2004.

Symposium for Heads of Training in ARABOSAI

IDI will deliver a symposium on the Systematic Approach to Training (SAT) for heads of training in the ARABOSAI region. This event aims to familiarize participants with the IDI training approach to ultimately improve the design and delivery of local and regional training. The symposium will be held in Oman from December 4-8, 2004.

Contacting IDI

If you would like to discuss any of the issues raised in this edition of IDI Update, contact: IDI, telephone +47 22 24 13 49; fax: +47 22 24 10 24; e-mail: idi@idi.no.

INTOSAI 2004-2005 Events



October

4-15 ASOSAI Public Debt Workshop, Australia

10-16 18th INCOSAI, Budapest, Hungary

November

2-5 EUROSAI Working Group on Environmental Auditing Meeting and Seminar on Biodiversity and Nature Protection, Sofia, Bulgaria

15-19 OLACEFS Congress, Buenos Aires, Argentina

16-19 CREFIAF Participant Orientation and Skills Assessment Workshop, Gabon

22- Dec. 3 IDI/EUROSAI Long Term Regional Training Program Phase 2 design meeting, Estonia

29- Dec. 10 OLACEFS Environmental Auditing Workshop, Colombia

December

4-8 ARABOSAI Symposium on the Systematic Approach to Training

January 2005

30- Feb. 2 19th Commonwealth Auditors-General Conference, Wellington, New Zealand

31- Mar. 18 OLACEFS Course Design and Instructional Techniques Workshop, Ecuador

February

7-25 CREFIAF redesign meeting for the Course Design and Instructional Techniques Workshop, Burkina Faso

March

April

14th Meeting of the INTOSAI Standing Committee on IT, Bhutan

May

2- June 17 CREFIAF Course Design and Instructional Techniques Workshop, Gabon

30- June 2 EUROSAI Congress, Bonn, Germany

June

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