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Given the *Journal's* use as a teaching tool, articles most likely to be accepted are those which 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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XVIII INCOSAI: BUDAPEST, OCTOBER 2004



The 18th INCOSAI (International Congress of Supreme Audit Institutions) will take place October 10-16, 2004, in Budapest. While all INTOSAI events are significant, the triennial congresses stand out among them. Important issues are addressed—for example, setting up committees, approving the budget, changing the INTOSAI statutes, and electing new members of the Governing Board—and delegates from many nations attend. However, the most important and decisive congressional activity is the discussion and acceptance of reports based on professional recommendations. According to the INTOSAI statutes, the task of the Congress is to “discuss and pass recommendations on subjects of common professional and technical interest, with a view to promoting the exchange of ideas and experiences” (para. 5/a, article 4). These recommendations will play a decisive role in the professional development of auditing.

The two themes of the 18th INCOSAI—The Possibilities for Bilateral and Multilateral Cooperation among Supreme Audit Institutions and Coordination of Audit Efforts among National, Regional, Local and Self-governing Bodies—are being elaborated by the National Audit Office of the United Kingdom and the Office of the Auditor General of Canada, respectively. Both themes raise issues that will significantly influence the interpretation and the future development of auditing.

Nearly 50 countries have submitted country papers for the development of the two themes, a clear indication of the level of interest the themes have generated. In addition, the committees and working groups of INTOSAI will present reports to the 18th INCOSAI that will

significantly contribute to and define the future development of the audit profession. For example, the Internal Control Standards Committee has prepared and modernized internal control standard guidelines for the requirements of the 21st century. Professional documents of similar importance include *Sustainable Development: The Role of Supreme Audit Institutions* and *Environmental Auditing and Regulatory Auditing*, prepared by the Working Group on Environmental Auditing.

The debates and the subsequent recording of the results will add to the decisive and far-reaching influence of the 18th INCOSAI. The principles elaborated will help to initiate and develop processes of transformation that will enable INTOSAI to adjust to the requirements and expectations of the 21st century.

To date, INTOSAI has successfully handled the challenges it has faced. Following the 51st Governing Board meeting in Budapest in October 2003, we celebrated the 50th anniversary of INTOSAI's founding. The celebrations offered an opportunity for experts, SAI heads, university professors, and politicians to evaluate INTOSAI's efforts and highlight significant results over the past 50 years.

One result has been the creation of such important documents as the Lima Declaration, the Magna Carta of contemporary financial audit, which clearly and convincingly summarizes the most important principles of contemporary auditing and provides the definitive explanation of SAI independence. Another result has been the establishment of the INTOSAI Development Initiative audit training system, which disseminates the latest and most efficient audit methods to the remotest corners of the ever-shrinking globe. Furthermore, the activities of INTOSAI's standing committees and working groups have virtually revolutionized state audit. Similarly, INTOSAI's regional organizations have helped to address different local and regional needs and interests related to the realization and development of auditing. While this list of results is not exhaustive, it demonstrates that INTOSAI has fulfilled its tasks at a professional level and has become a highly efficient international organization.

After half a century, INTOSAI is facing a new period in its history with new problems and challenges and, more than likely, new tasks to be completed. Interestingly, the next 50 years of INTOSAI's history coincide with the beginning of the 21st century, which has already brought some surprises and unexpected problems that will affect the development of state audit. It is also clear that the international auditing community will have to address these challenges with the assistance of INTOSAI.

To handle these new global audit tasks, the basis of INTOSAI operations must be changed by modernizing the organization. The 18th INCOSAI will play a decisive role in this process. Its agenda will include debates on proposals of the Governing Board's Strategic Planning Task Force that are directed toward this modernization. The planned debate at the 18th INCOSAI will elaborate the basic principles and framework upon which INTOSAI will address the challenges of the 21st century. We firmly believe that the proposed strategic plan, which was unanimously endorsed by the Governing Board at its extraordinary meeting in June 2004, will contribute to even more successful INTOSAI activities in the future. As a result, the 18th INCOSAI will be a milestone in INTOSAI's development.

The 18th INCOSAI will be the first hosted by an Eastern European country. Several European countries hosted earlier INCOSAIs—the 2nd in Brussels (1956), the 4th in

Vienna (1962), and the 8th in Madrid (1974). But, it has been 15 years since the last European INCOSAI—the 13th—took place in Berlin in 1989. Since that time, decisive, deep, and historic political, social, and economic reforms have taken place in Europe. New countries and new parliamentary democracies have emerged in Eastern Europe, where the transformation to a market economy and parliamentary democracy has resulted in the creation of independent SAIs in accordance with the criteria of the Lima Declaration. The rapid developments of the 1990s finally made it possible for Budapest, one of the most beautiful cities in Europe, to be the venue of the 18th INCOSAI.

We should also mention that the 18th INCOSAI will take place when another major change is transforming the life of 10 Central and Eastern European member countries of INTOSAI. In the spring of 2004, each joined the European Union (EU), bringing the EU's membership to 25.

This historic step will have many consequences. For auditing, it will promote and realize the success of INTOSAI standards. The new INTOSAI member states of the EU will be adapting those developed audit methods being used in the European Union that rely and are based upon INTOSAI auditing standards. As members of the European Union, we also hope that the issue of the European Court of Audit's INTOSAI membership will be finally and satisfactorily settled during the 18th INCOSAI. We trust that we will be able to find a solution that will serve as an example of promoting cooperation between large international organizations and INTOSAI.

We look forward with great expectations to the recommendations and statements of the 18th INCOSAI. The management of the Hungarian State Audit Office (SAO) and the SAO staff responsible for organizing this event will do their best to ensure optimal arrangements and working conditions for the Congress.

Delegates will be accommodated in the best Budapest hotels. The venue for the Congress itself will be the Budapest Convention Center, a comfortable complex that is fitted with all the modern equipment required and is located in one of the most attractive parts of the city. In 1997 and 2000, INTOSAI's Internal Control Standards Committee hosted the I and II International Internal Control Conferences at the convention center.

The leaders of the Republic of Hungary attribute great importance to welcoming the 18th INCOSAI to Budapest. The opening ceremony of the Congress will be in the Hungarian Parliament building, one of the most beautiful and monumental public buildings in Budapest. The Speaker of the House will attend the opening ceremony, and the President of the Republic will receive the heads of delegations. We will offer delegates a glimpse of Hungarian culture with a concert featuring the works of outstanding Hungarian composers at the Opera House and an excursion to the ruins of Visegrád Palace.

Through all these efforts, our aim is to ensure the success of the 18th INCOSAI and contribute to establishing a solid foundation for the continued success and modernization of INTOSAI's work.

NEWS



Austria

INTOSAI Welcomes Its New Secretary General

On July 1, 2004, Dr. Josef Moser took office as both President of the Austrian Court of Audit and Secretary General of INTOSAI. Dr. Moser was elected by the Austrian National Council to serve a 12-year term. He expressed his firm commitment to the cause of government audit and pledged to continue serving the interests of the INTOSAI community.



Dr. Josef Moser

Dr. Moser holds a doctoral degree in jurisprudence from the Vienna University of Law. After his graduation, he joined the civil service, working in the Regional Directorate

for Finance in Carinthia, where he served as deputy director general for staff and general policy affairs. From 1991 through 1992, he worked for the Carinthian provincial government, serving as deputy head of the provincial governor's cabinet, among other positions.

In 1992, Dr. Moser was appointed executive director of a parliamentary group, a post he held for 10 years. As of 2002, his responsibilities included coordinating government work between coalition parties and different government departments.

In 2003, Dr. Moser was appointed to the board of HL AG, the Austrian National Railway Construction Company, which is responsible for commercial management, finance, and accounting. One year later he was appointed a board member of ÖBB-Holding AG, the Austrian National Railway Holding Company, where he was involved in the strategic management of the operative companies for railroad infrastructure management and railroad infrastructure construction. He also served as chairman of the Supervisory Board of the Austrian Federal Railways Infrastructure Management Company and as managing director of the Austrian Federal Railroad Real Estate Management Company.

For additional information, contact: Rechnungshof, fax: 43 1 712 94 25; e-mail: intosai@rechnungshof.gv.at.

Canada

Special Report Cites Failure in Governance and Control

On September 30, 2003, the Auditor General of Canada, Sheila Fraser, tabled in the House of Commons of the Canadian Parliament a special report on the results of her office's audit of the administration of the Office of the Privacy Commissioner of Canada.

This special report was tabled in accordance with the provisions of subsection 8 (2) of the Auditor General Act, which allows the Auditor General to make "a special report to the House of Commons on any matter of pressing importance or urgency that, in the opinion of the Auditor General, should not be deferred until the presentation of the next report under subsection 7(1)." Under subsection 7(1), the Auditor General submits periodic value-for-money reports to the House of Commons. This was the first time that the Auditor General used this special reporting power since the Auditor General Act became effective in 1977.

The audit found conditions that seriously impaired the ability of the Office of the Privacy Commissioner to function. It found an environment of fear and arbitrariness in the office that led to a major breakdown in controls over financial management, human resources management, contracting, and travel and hospitality expenditures.

The former Privacy Commissioner had abdicated his responsibilities for ensuring the proper administration of the office. Many senior executives had also ignored breaches of law and policy. The effect of this breakdown was a climate that allowed the abuse of the public treasury for the benefit of the former Commissioner and a few senior executives.

The situation was cause for concern, given that parliamentarians provided

the Office of the Privacy Commissioner with power in an area of critical importance—assisting Parliament in protecting and preserving the privacy rights of Canadians. According to the Auditor General's report, a great deal of rebuilding will be needed to restore the office's management capabilities.

A new House of Commons committee, the Standing Committee on Government Operations and Estimates, had requested that the Auditor General undertake this audit after its hearings pointed to irregularities in the conduct of the Office of the Privacy Commissioner. Under the Auditor General Act, the Auditor General can choose which audits to undertake. In this case, the Auditor General accepted the committee's request because of the seriousness of the issues brought to her attention.

The Office of the Privacy Commissioner of Canada was created to advocate for the privacy rights of Canadians. Its legislative mandate is to investigate complaints and conduct audits under the Privacy Act and the Personal Information Protection and Electronics Document Act, publish information about the handling of personal information in the public and private sectors, research privacy issues, and promote public awareness and understanding of privacy issues.

The Office of the Privacy Commissioner is one of the five offices Parliament created to provide it with information and advice, among other services. The other Officers of Parliament are the Auditor General, the Commissioner of Official Languages, the Chief Electoral Officer, and the Information Commissioner. Officers of Parliament must take special care in managing their offices, which are unlike typical government departments (ministries) and agencies in that they have a considerable degree of independence from government oversight. However, as the audit of

the Office of the Privacy Commissioner made clear, these officials are still accountable for the way they conduct their affairs. Officers of Parliament and other public servants in positions of leadership must be held to account for the prudent management of both their employees and the funds entrusted to them.

International Peer Review Yields Positive Results

In February 2003, the Auditor General of Canada asked members of the international audit community, through the Auditors General Global Working Group, if they would be interested in participating in a review of the Canadian Office of the Auditor General (OAG) value-for-money audit practice. This was to be the first time the legislative audit practice of a national audit office would be assessed by a team of its international peers.

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

The review was carried out over the course of a year by a team led by the United Kingdom's National Audit Office, with representatives from the national audit offices of Norway, the Netherlands, and France. Each country contributed two members to the review team. The U.S. General Accounting Office participated as an observer.

In preparation, the OAG conducted a thorough assessment and update of its Quality Management Framework and launched a revised *Value-for-Money Audit Manual* in December 2002. The peer review team met in February 2003 to work out details of the peer review, such as leadership,

participants, objectives, scope, and criteria. They met again in April 2003 to plan the necessary work, and in May 2003 they signed a memorandum of understanding with the OAG for the peer review.

The peer review team began the first phase of the review, a design assessment, in June 2003 and analyzed the OAG's policies and procedures for value-for-money audits. The team looked at whether the direction given to value-for-money auditors reflected the recognized standards of professional practice and the legislative authorities in the Auditor General Act.

The team began the next phase, the implementation assessment, in June 2003—simultaneously with the design assessment—and looked at the OAG's practice review function. It focused on whether the value-for-money audit practice operated effectively to meet its objective of providing parliamentarians with independent, objective, and evidence-based information that they could use to examine the federal government's performance. In addition to reviewing the OAG's internal review process and results, the team examined selected audit files from the four 2003 periodic reports.

The peer review team met three times over 5 months to compare notes and discuss preliminary findings and recommendations. They also communicated regularly by e-mail and telephone. In November 2003, the team spent 2 weeks at the OAG's Ottawa office conducting interviews and focus groups with value-for-money practitioners and subject matter specialists. The discussions were to verify whether (1) staff understood the purpose and requirements of the OAG's Quality Management Framework, including the policies, procedures, and controls that govern its value-for-money audit work, and (2) the work was managed with due regard to economy, efficiency, and effectiveness.

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. In summary, the team found that as of December 31, 2003, the OAG's value-for-money audit practice was suitably designed and operating effectively to achieve its objectives. The OAG has prepared an action plan in response to the suggestions made in the peer review report.

The *Peer Review Report on the Value-for-Money Audit Practice of the Office of the Auditor General of Canada* and the action plan prepared by the Office of the Auditor General of Canada to address the suggestions for improvement were tabled at a meeting of the Standing Committee on Public Accounts on March 11, 2004. These documents are available on the Office of the Auditor General of Canada Web site.

For further information, contact: Office of the Auditor General of Canada, fax: ++1 (613) 957 4023; e-mail: communications@oagbvg.gc.ca; or Web site: www.oag-bvg.gc.ca.

China

Audit Findings on SARS Prevention and Treatment Funds

SARS—severe acute respiratory syndrome—hit China unexpectedly at the beginning of 2003. To combat this disease, which was little known at that time, the Chinese government allocated by July 31, 2003, 14.039 billion yuan (US\$1.69 billion) in special funds. At the same time, the government received donations totaling 4.152 billion yuan (US\$ 510 million) from home and abroad for the prevention and treatment of SARS.

In August 2003, right after the disease had been brought under control, the National Audit Office of China (CNAO) audited these funds and donations covering all relevant

government units in 30 provinces and announced its findings in December 2003.

The audit found that management and application of special funds and donations for SARS prevention and treatment were generally competent, and no serious irregularities were detected. Departments of planning, civil affairs, finance, and control used effective fund management measures and maintained proper monitoring procedures to ensure standardized funds application. However, the auditors reported problems in some departments, including decentralized allocation of funds, untimely funds allocation, incomplete procedures for receiving donations, and delays in book entries and submission of donations to special financial accounts. As soon as the problems were reported, the related departments took prompt measures to rectify them, and problems such as untimely book entry and submission to special financial accounts have been resolved on the whole.

CNAO Hosts Second International Audit Training Program in Beijing

The CNAO hosted its second International Audit Training Program from April 5-22, 2004. Thirty-four participants from 23 countries in Asia and Africa and from China's Hong Kong and Macao special administrative regions were invited to attend the program. Mr. Li Jinhua, Auditor-General of China, greeted all of the participants and presided over the program's opening ceremony on April 6.

The program consists of two segments. In the first, 11 intensive courses, with topics ranging from the legal system of audit in China to environment and performance auditing, were offered to participants in CNAO's well-equipped Huairou Training Center. In the last half of the program, participants were divided into groups to visit some of the



Participants in China's International Audit Training Program

CNAO's resident audit offices in Shanghai, Nanjing, Chongqing, Kunming, and Guangzhou, where they had the opportunity to observe field audits and exchange ideas with their Chinese colleagues.

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

Japan

New President of Board of Audit

On February 20, 2004, Mr. Nobuaki Morishita, a Commissioner of the Audit Commission, the Board of Audit of Japan, was appointed as President by the Cabinet. He succeeded Mr. Tsutomu Sugiura, who retired in February 2004 after completing his 7-year term.

Mr. Morishita joined the Board in 1966. He served as a director for major audit and secretariat divisions in the 1980s and supervised audit and administrative activities as Assistant Director General and, subsequently, Director General in the 1990s. He assumed the responsibilities of Secretary General in 1998, directing the whole audit and administrative operations of the General Executive Bureau before being appointed Commissioner in 1999.

Throughout his long career at the Board, Mr. Morishita has demonstrated a broad knowledge of



Mr. Nobuaki Morishita

practical auditing. He has also emphasized the Board's involvement in international activities; his latest experience was heading the Japanese delegation to the ASOSAI Governing Board Meeting in Manila in 2002. He is looking forward to engaging in INTOSAI and ASOSAI activities as a Governing Board member. He also hopes to contribute to improving audit capabilities in INTOSAI as well as the ASOSAI community through his work as the administrator of the ASOSAI training program.

For additional information, contact: Board of Audit of Japan; fax: ++81 (3)

32 92 - 6915; e-mail: liaison@jbaudit.go.jp; Web site: www.jbaudit.go.jp/engl.

Ghana

Ghana Audit Service Hosts Fourth AFROSAI-E/SADCOSAI Meeting

For the first time in its history, the Ghana Audit Service hosted the Annual Review Meeting of the Assembly of English-Speaking Supreme Audit Institutions in Africa (AFROSAI-E) and the Southern African Development Community Organization of Supreme Audit Institutions (SADCOSAI) from November 3-7, 2003, in Accra. This meeting followed up on the discussions at an earlier meeting in South Africa and was aimed at unifying the operations of the two organizations.

The conference was attended by 44 delegates, including 22 auditors general from African SAIs and observers from the European Union, Sweden, Netherlands, and Norway. Participating countries were Angola, Botswana, Eritrea, Ethiopia, Gambia, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Rwanda, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

In his welcoming address, Mr. Edward Dua Agyeman, the Auditor-General of Ghana, reminded participants that the Annual Review Meeting gave the SAIs the opportunity to address many of the issues that confront them as SAIs in English-speaking Africa. These issues are reflected in the priorities of the AFROSAI-E/SADCOSAI plan of operations, which was to be adopted at the Accra meeting:

- human rights, democracy, and good governance;
- protection of the environment;
- regional integration;

- increased human resources;
- the integration of women in professional activities of SAIs; and
- the fight against poverty and corruption.

Mr. Agyeman also enumerated factors impeding the SAIs' efforts to achieve their goals and objectives as public sector auditors:

- the lack of equipment and infrastructure facilities,
- inadequate training of staff and insufficient numbers of professionals to respond to challenges facing SAIs, and
- inadequate overall funding.

He added that the meeting was being held at a time when the SAIs needed to reengineer strategies and working methods to deliver their respective countries from the grip of poverty, human rights abuses, preventable diseases, and the slow pace of development and economic growth.

Dr. Samuel Nii-Noi Ashong, Minister of State, Economic Planning, delivered a keynote address on behalf of the President of Ghana. Dr. Ashong stressed his government's commitment to guaranteeing the financial and administrative independence of the Ghana Audit Service and full support for the Auditor-General and the Audit Service Board. Commenting on the organization's chosen priorities, Dr. Ashong indicated that SAIs have an important responsibility in democratic societies where they are called upon to play an essential role in safeguarding the use of public resources.

For additional information, contact: Ghana Audit Service, fax: ++233 (21) 67 54 96; e-mail: gogas@ighmail.com.

Kenya

Kenya National Audit Office Renamed

In December 2003, the Kenyan Parliament passed the Public Audit Act, 2003, which was effective January 9, 2004. The act established a more independent Office of the Controller and Auditor General and renamed it the Kenya National Audit Office (KENAO). KENAO is charged with auditing all government ministries and departments, local authorities, state corporations, and statutory bodies. Under the new act, KENAO has the authority to carry out economy, efficiency, and effectiveness audits.

The Public Audit Act further established a Kenya National Audit Commission (KENAC) to be chaired by the Controller and Auditor General. KENAC will determine the terms and conditions of service for staff and also approve the budget for KENAO.

New Auditor General

On April 21, 2004, the President of the Republic of Kenya appointed Mr. Evan Nelson Mwai to be the new Controller and Auditor General. Mr. David Gico Njoroge, the long-time Controller and Auditor General of Kenya known to many INTOSAI members, retired on April 9, 2004.



Mr. Evan Nelson Mwai

Mr. Mwai had served as Deputy Auditor General in the former Office of the Controller and Auditor General since 1993. He holds a bachelor of arts in economics and geography from the University of London and has attended many training courses in public sector auditing and accounting both in Kenya and abroad. He has been a delegate to various INTOSAI congresses and headed the external audit team responsible for the audit of the International Atomic Energy Agency from 1983 to 1992. He was a 1979 fellow in the U.S. General Accounting Office's International Auditor Fellowship Program. He is committed to reforms started by his predecessor and is looking forward to working with the INTOSAI community.

For additional information, contact: Kenya National Audit Office, fax: ++254 (2) 33 08 29; e-mail: cag@kenyaweb.com.

International Consortium on Governmental Financial Management

2004 Conference and Training

From April 19-23, 2004, public and private sector representatives from around the world gathered in Miami to discuss strategies for promoting development by eradicating corruption, enhancing security, improving transparency and strengthening accountability. Delegates from Argentina, Barbados, Bolivia, Bosnia-Herzegovina, Cameroon, Canada, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Hungary, India, Macedonia, Mexico, Mongolia, New Zealand, Nicaragua, Pakistan, Paraguay, Peru, the Philippines, the Slovak Republic, St. Kitts, Tanzania, Trinidad and Tobago, Uganda, the United Kingdom, and the United States of America shared their experiences and discussed strategies to promote and strengthen good governance.



Delegation from Cameroon attending the ICGFM conference in Miami

During the conference, presenters from several SAIs examined a variety of accountability and transparency issues. Dr. Paul Posner, from the U.S. General Accounting Office (GAO), spoke about transparency in the budget process. Dr. Árpád Kovács, President of the Hungarian State Audit Office, focused attention on government contracting.

Dr. Genaro Matute, Comptroller General of Peru and chair of INTOSAI's anti-money-laundering task force, opened an afternoon session exploring approaches to "Stopping Money Laundering, Combating Corruption" that included a panel presentation moderated by Ms. Davi D'Agostino, a GAO Director. In another session, Pakistan's Deputy Auditor General, Mr. Muhammad Mohsin Kahn, discussed anticorruption strategies in his country. In keynote speeches, Dr. Nijemoun Mama, Auditor General of Cameroon, and Ms. Jacquie Williams-Bridgers, a GAO Managing Director, discussed evolving strategies being implemented by their offices.

For additional information, contact the International Consortium on Governmental Financial Management, e-mail: ICGFM@yahoo.com; Web site: www.icgfm.org.

United Nations

35th Meeting of Internal Audit Services of UN Organizations and Multilateral Financial Institutions

The 35th annual Meeting of Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions (RIAS), hosted by the United Nations Educational, Scientific and Cultural Organization (UNESCO), was held in Paris June 9-11, 2004. Attendees included 40 heads of the International Audit and Management Consulting Divisions of the United Nations (UN) Secretariat, UN Specialized Agencies, Breton Woods Organizations, and other international organizations and multilateral financial institutions. The previous RIAS meeting was in Panama in 2003.

The sessions dealt with a wide variety of topics. These included an overview of updated Institute of Internal Auditors standards and professional developments; effective organizational performance management; organizational ethics and values and preventing corruption; risk assessment; management and organizational development; relationships between internal and external audit and with

major donors; interaction between joint inspection units and external auditors; managing the internal audit function; and forensic and performance auditing.

INTOSAI believes that RIAS presents an opportunity to learn how organizations such as the UN and its specialized agencies have organized their internal audit services. INTOSAI's emphasis on this topic has resulted in the formation of its Internal Control Committee, which tracks RIAS' progress, the topics in which it engages, the ideas it generates from its research, and the direction of its future plans. This exchange of ideas, experiences, and knowledge benefits both organizations.

For additional information, contact: INTOSAI General Secretariat, fax: ++43 (1) 718 09 69; e-mail: intosai@rechnungshof.gv.at; Web site: www.intosai.org.

A Challenge for SAIs: Quality Management in Public Auditing

By Arif Mansur, Deputy Auditor General of Pakistan

Supreme audit institutions (SAIs) serve a diverse clientele—the public, taxpayers, public servants, and legislators who authorize public spending and scrutinize its outcomes with reference to SAI reports. For SAIs, the challenge of quality management in public auditing is to address the differing and sometimes competing interests, expectations, and needs of this clientele by providing adequate assurance regarding public spending and its outcomes.

INTOSAI auditing standards have identified a full range of public auditing that includes financial, regularity, and performance audits. Designing a comprehensive audit product that meets both audit standards and client expectations is an issue still open to debate, research, and improvement. SAIs have to keep on perfecting the outcomes of public auditing. As they do so, they face numerous challenges in both financial and performance auditing.

Challenges Facing SAIs in Financial and Performance Auditing

Financial auditing in the public sector is more complex than simply adopting the best practices of the private sector. At times, public sector accounting and financial reporting are not fully reliable to provide the required level of assurance. The complexity of the public sector, with hierarchical relationships between entities at different levels, also poses conceptual and methodological challenges in financial auditing. The very definition of an accounting entity may become difficult given that the responsibility for spending or operations and financial reporting may be split between the accountant (e.g., the comptroller general) and chief operational officers of different units. Application of performance audit techniques and methodologies becomes difficult due to limited experience in operating against quantified outputs and performance criteria. Another challenge is establishing the proper link between performance, regularity, and financial audits. SAIs that no longer produce independent regularity audit reports have to establish some link between financial and performance auditing to avoid a situation where the two give contradictory results.

As government spending levels and operational complexities grow, the allocation of audit resources becomes increasingly difficult, posing the dilemma of doing justice to the full range of one's audit mandate while meeting INTOSAI's auditing standards. In addition, the relationship between auditor and auditee can become adversarial. One of the strengths of performance auditing is its concern with the needs of management and adopting a management-friendly approach. Quality

editor's note

This article is based on a presentation made by Mr. Muhammad Yunis Khan, Auditor General of Pakistan, at the second ASOSAI Symposium on Quality Management in Public Audit on October 22, 2003, in Manila.

audit output is both an outcome and a precondition for a trusted relationship between the auditor and auditee. But problems arise in drawing a line between the auditor's desire to add value and the stringent requirements of accountability. Finally, if auditing inhibits the managerial process of positive decision making, it may impede the achievement of organizational goals. The auditor must always be mindful of the auditee's mandate—the delivery of a service or facility—which is the primary objective of public spending.

Pakistan's Recent Experience in Promoting Quality Public Management

In its efforts to promote quality public management, the SAI of Pakistan has undertaken a number of initiatives to address the challenges mentioned above. As part of his long-term strategy, the Auditor General of Pakistan no longer has any direct involvement in keeping accounts. That function is now carried out by a national entity known as the Controller General of Accounts, which has been established by law. Recognizing the essential link between accounting and auditing, however, the SAI of Pakistan launched a comprehensive project to modernize public sector accounting before handing over the accounting function. Accounting reforms being implemented through the World Bank–funded Project for Improvement to Financial Reporting and Auditing (PIFRA) include installing a national network of core accounting systems based on Enterprise Resource Planning software, which has accrual reporting features and the potential for upgrading to full accrual reporting. It is expected that sound accounting and financial reporting will provide the basis for effective auditing. At the same time, reliance on the qualitative certification of accounts is being increased as a means for not only providing assurance but also improving the quality of accounts.

These more recent measures have emerged from earlier efforts to introduce modern performance auditing and develop sectoral audit specializations dealing with areas such as revenue, construction works, procurement, and the power sector. The SAI of Pakistan is keen to develop a regularity audit manual fully compliant with INTOSAI's definition. Ongoing regularity audits have also gone through a number of changes, and omnibus reports have been replaced by entity-specific reports. Other improvements are being implemented with the specific objective of improving the quality of audit output.

The SAI is also working on developing a flexible and powerful resource allocation model that can convert priorities, risk assessments, mandatory audit requirements, and stakeholder preferences into a criteria-driven and computerized resource allocation system. The system would not only be able to deploy audit resources according to annual plans, but also roll over multiyear plans. It would cover aspects such as

- linking audits based on stakeholder priorities with statutory obligations,
- prioritizing which entities should be audited in a given year, and
- determining the adequate level of audit effort for each audit.

The system will be based on risk analysis and weighted according to a systematic perception of the budgeted spending and revenue collection.

While accounting is increasingly making use of information technology (IT) and is now considered an almost natural IT application, auditing has yet to capitalize on the power of IT. Computer-assisted auditing techniques (CAATS) are essentially a means

to handle computerized accounting data. The SAI of Pakistan is hoping to launch an expansion of the PIFRA project to establish an organizationwide network of audit management information systems that will link with accounting databases and auditee systems, which will in turn link with internally available information, such as human resources data, auditee profiles, audit report databases, operational activities, and audit guidance. Through this systems development effort, the SAI of Pakistan hopes to create a comprehensive information base to support all aspects of quality management.

While bringing about improvements in the spending of public money remains the underlying challenge before SAIs, audit reports are just one option available to achieve this goal. Efforts should also be made to strengthen institutional influence for reform where public money is actually spent. The SAI of Pakistan has sponsored an effort to appoint chief financial officers in government ministries and departments and establish a more effective system for internal accountability and departmental audit committees.

Conclusion

The SAI of Pakistan subscribes to the international trend of adopting best audit practices and developing a strong audit discipline. At the same time, it believes that the specific professional requirements of SAIs should be recognized. In the development of audit policies and guidance, factors such as the historical context of management systems, the effectiveness of accountability arrangements, and perceptions of corruption should be important considerations. Public audits should identify public concerns, and corresponding audit reports should address those concerns promptly. Guidance, standards, and methodologies should be developed to ensure that the SAI provides adequate and credible assurance. Under the umbrella of INTOSAI, regional associations such as ASOSAI can play a significant role in identifying region-specific needs and finding focused responses and solutions.

Eighth SPASAI Congress

By Hayden Everett, Office of the Auditor General, New Zealand

The South Pacific Organization of Supreme Audit Institutions (SPASAI) held its 8th Congress in Apia, Samoa, from May 24-28, 2004. Hosted by the Controller and Chief Auditor of the Government of Samoa Audit Office, the Congress drew 23 delegates from 15 audit offices in the Pacific region as well as representatives from the INTOSAI Secretariat, the INTOSAI Development Initiative, and the National Audit Office of China.

The 8th Congress of SPASAI opened on May 24, 2004, with the membership welcoming the 22nd SPASAI member, the Territorial Audit Office of American Samoa. Mr. Paul Allsworth, Auditor-General of the Cook Islands, then handed over the presidency of SPASAI to Mr. Tamaseu Warren, Controller and Chief Auditor of Samoa.

During the business session, members voted to hold a Congress annually, rather than biannually. Dr. Pohiva Tu'i'onetoa, Auditor-General of Tonga, will host the 2005 Congress.

The SPASAI Regional Institutional Strengthening Committee met prior to the Congress. This meeting was attended by the auditors-general of the Cook Islands, Fiji, New Zealand, Palau, Papua New Guinea, and Tuvalu.

First Congressional Session

The first session, moderated by Dr. Pohiva Tu'i'onetoa, Auditor-General of Tonga, addressed Performance Management and Government Reforms. Members discussed their countries' progress in reporting and auditing performance information, the appropriate role of audit offices in government reform, and the need for audit offices to review proposed government reforms. Further discussion centered on accessing information for benchmarking and comparative analysis during performance audits. It was noted that variations in systems that capture performance information can affect the consistency and usefulness of this information.

Second Congressional Session

The second session, moderated by Mr. Bob Sendt, Auditor-General of New South Wales, Australia, was on Developments in Environmental Auditing—Problems and Solutions. Delegates discussed how auditing can help governments prevent environmental degradation. It was noted that environmental auditing can help to balance national development with adverse environmental impact. The many papers submitted by SPASAI members on this topic revealed the varied interpretations of environmental auditing in the SPASAI community. Many members are undertaking environmental auditing in the form of performance audits, although some members reported conducting compliance audits.

Third Congressional Session

The third session, moderated by Mr. David Reid, General Manager, Financial Audit of Victoria, Australia, dealt with Audit Evidence in an Electronic or Paperless Environment and covered the expanding use of information technology in auditing. The importance of information technology controls, the use of computer-assisted audit techniques and software for evidence gathering, the timing of audit procedures, and types of audit evidence and procedures were also explored.

Training Workshops

The Congress was followed by two training workshops. Audit of Public Debt was led by Mr. Ajay Nand, Acting Director of Audit, Office of the Auditor-General of Fiji, and a member of the INTOSAI Public Debt Committee. Forensic Auditing was led by Mr. Gib Beattie, Assistant Director of Investigations, and Mr. Stephen Drain, Investigator, New Zealand Serious Fraud Office. Attendees included staff from the Government of Samoa Audit Office. Both topics were identified in the SPASAI Regional Institutional Strengthening Plan as areas of interest. A generous contribution by the INTOSAI Development Initiative made this training possible.

For additional information on the 8th SPASAI Congress, please see the SPASAI Web site at <http://www.oag.govt.nz/HomePageFolders/SPASAI/SPASAIHome.htm>.

Audit Profile: Control and Audit Office of Afghanistan

By Mr. Muhammad Sharif Sharifi, Auditor General

The Control and Audit Office (CAO) is the supreme audit institution of Afghanistan. It reports directly to his Excellency the President of Afghanistan in an independent and impartial way.

The main objectives of the CAO are to

- protect public funds and take action against errors and irregularities regarding financial carelessness and the misuse of public property;
- prevent illegal expenditures;
- review the systems of control over government receipts and payments;
- identify fraud and ensure that accused individuals are brought to justice;
- certify the financial statements of government;
- identify shortfalls in the government budget and provide guidance to minimize errors, shortcomings, overpayments, and poor estimation for construction projects; and
- guarantee the accuracy of aid and grants provided by donor countries.

Because of political changes in Afghanistan during recent years, the CAO's membership in several international auditing organizations had been suspended. Fortunately, the CAO has now regained its membership in INTOSAI, ASOSAI, and ECOSAI.

The Auditor General is the CAO's most senior official (equivalent to a minister). He establishes policies and guidelines for the CAO and is directly responsible to the President of Afghanistan. The Auditor General is assisted by two deputy auditors general, who are responsible for implementing the CAO's audit plans and evaluating its audit findings. They also consider proposals to improve the CAO's work processes.

The CAO's rules and regulations are based on international standards, and its objectives encompass financial, accounting, and economic monitoring of institutions such as ministries, public offices and organizations, government commissions, municipalities, and banks.

The CAO's audit work is intended to ensure

- transparency in accountability and accounting,
- effective performance,
- standardized audits that comply with international auditing standards,
- protection of property (goods and cash),
- reliable accounting and reporting,
- proper implementation of the government's socioeconomic development plan,
- rules are followed and community and current needs for special sectors are met, and
- accuracy in the expenditure of aid provided by donor countries.

The CAO's methodology for monitoring and auditing is based on INTOSAI international auditing standards. The auditors' main tasks are to ensure

- public accounting is accurate;
- financial and accounting control by ministries, offices, municipalities, government commissions, banks, organizations, and mixed companies is accurate;
- government income is properly controlled;
- the government's socioeconomic development plans, the development budget, and the annual budget are properly implemented;
- audits are undertaken in a way that promotes and develops the national economy, the special sectors, and the growth of community;
- public capital is safeguarded;
- government decrees, approval of decisions, and orders are properly substantiated and implemented;
- allocated resources are used effectively; and
- illegal activities are prevented.

To achieve its objectives, the CAO is committed to auditing more than 670 budgetary units each year. The following CAO directorates undertake the audits.

- **Directorate of Planning and Analysis:** This key directorate coordinates and organizes the audit programs and plans of the audit directorates. It provides quarterly reports to the cabinet and the President. It also evaluates and analyzes the findings of audit groups, including errors and irregularities, and provides guidelines and direction for further improvements to the CAO's audit processes.
- **Directorate of Documentation:** This directorate is responsible for executing managerial orders, safeguarding special and secret letters, and organizing agendas for consultative and steering committee meetings. It also executes all other related orders given by administrative authorities.
- **Audit Directorate for Public Enterprises and Organizations:** This directorate is responsible for the audit of public enterprises, government organizations, government companies, and banks. It works as a separate department in the CAO's organizational structure.
- **Audit Directorate for Central Budgetary Organizations and Audit Directorate for Local Budgetary Organizations and Municipalities:** These directorates substantiate the government budget, including the proper use of financial and material resources, the protection of government property, the design of accounting issues, and the proper assignment of government activities.
- **Audit Directorate for NGOs:** Since the majority of aid is provided to Afghanistan through nongovernmental organizations (NGO), the CAO has established this directorate to ensure that this aid is expended properly and legally.
- **Audit Directorate for Technical Affairs:** The development budget is the largest portion of the government's annual budget. This directorate audits construction, industrial, agricultural, and other projects.
- **Internal Audit Directorate:** According to CAO legislation, the internal audit directorates of government ministries must cooperate with the CAO. The CAO Internal Audit Directorate monitors these directorates. Its auditing methodologies are currently being standardized.

- **Directorate for Quality Assurance:** This directorate monitors the performance of CAO audit groups and helps them prepare work plans and review audit issues.

Eighty percent of CAO employees have been educated at the tertiary level. Recently established employment requirements call for candidates to have at least higher education and also pass a qualifying examination. Recruits are trained in audit courses based on international auditing standards and may be employed in any one of a variety of posts: chief auditor, deputy chief auditor, senior auditor, auditor, or junior auditor. Qualified personnel are entitled to promotion after demonstrating that they can perform the responsibilities of a higher grade. Promotion requires the approval of a designated commission.

Two decades of civil war in Afghanistan have damaged the core of the CAO (and other institutions) and have diminished opportunities for effective and continuous training. To overcome this problem and to rebuild the capacity of CAO staff, the Transitional Government of Afghanistan has awarded a project to PKF, an international firm of accountants and auditors. This project is funded by the World Bank and provides technical support to the CAO to enable it to carry out audit functions in accordance with international auditing standards.

For additional information, contact: Control and Audit Office, fax: ++93 0 20 210 1757; e-mail: auditoffice_afghanistan@yahoo.com.

Reports in Print

The February 2004 edition of the *Public Fund Digest* of the International Consortium on Government Financial Management (ICGFM) has a series of articles that may be of interest to *Journal* readers. One such article is "Recommendations to Combat Money Laundering and Terrorism Financing." Money laundering methods and techniques have changed in response to countermeasures that have been developed. In recent years, the Financial Action Task Force (FATF), the intergovernmental policy-making body that has most successfully coordinated international anti-money-laundering initiatives, has noted increasingly sophisticated combinations of techniques, such as the increased use of (1) legal persons to disguise the true ownership and control of illegal proceeds and (2) professionals to provide advice and assistance in laundering criminal funds. In 1990, the FATF established Forty Recommendations to combat the misuse of financial systems by persons laundering drug money. In 1996 and again in 2003, the Recommendations, which were endorsed by more than 130 countries, were revised to reflect evolving money-laundering typologies.

In 2001, the FATF expanded its mandate to deal with the issue of financing terrorism, and established Eight Special Recommendations on Terrorist Financing. These recommendations complement the Forty Recommendations and include (1) the scope of the criminal offense of money laundering; (2) provisional measures and confiscation; (3) customer due diligence and record keeping; (4) reporting of suspicious transactions; (5) regulation and supervision; (6) competent authorities, their powers, and resources; (7) transparency of legal persons and arrangements; and (8) mutual legal assistance and extradition.

For more information on these topics, contact the International Consortium on Government Financial Management, 444 North Capitol Street, Suite 234, Washington, D.C. 20001, USA; tel: ++ (202) 624-8461; fax: ++ (202) 624-5473; Web site: www.icgfm.org. See also the FATF Web site: www.oecd.org/fatf.

Most democratic societies recognize freedom of information as a fundamental element of government accountability. Opening government processes to scrutiny allows the public to question and better evaluate the activities that government carries out on its behalf. To comply with freedom of information laws, agencies need to impose sound standards of information management. However, as the Audit Office of New South Wales, Australia, discovered, there are wider issues to consider. The Freedom of Information Act introduced in New South Wales in 1989 gave the public the right to access information from most agencies. The Audit Office of New South Wales reviewed the Freedom of Information Act arrangements within three government agencies and 84 requests for nonpersonal information. The audit set out to answer the following questions: (1) Do agencies comply with the spirit of the act? (2) Do agencies help applicants with their requests? (3) Are fees and charges kept to a minimum? (4) How thoroughly do agencies search for documents? (5) Do agencies provide supporting reasons for their decisions? (6) Do agencies meet time requirements? (7) Do agencies conduct reviews of decisions?

The audit identified a number of concerns that were raised with the appropriate departments and described in the final report. Two important concerns were the agencies' independence in decision making and the important administrative role of the act's coordinators.

To learn more about this freedom of information audit, contact the Audit Office of New South Wales, Web site: www.audt.nsw.gov.au.

The *Asian Journal of Government Audit*, the official organ of ASOSAI, has been published annually since 1983 by the Indian SAI. The heads of the SAIs of India, the Philippines, and Sri Lanka comprise its Board of Editors, with the Comptroller and Auditor General of India as chair. Beginning in 2004, the *Journal* is being published twice a year, in April and October. Its objectives are to promote sound and effective state audit systems and to provide a forum in which ASOSAI members can share experiences on auditing. The April 2004 issue offers a variety of information, including news from INTOSAI, ASOSAI, IDI, and individual member SAIs. In addition, it includes profiles of the activities of the SAIs of Bangladesh and Azerbaijan. The articles cover (1) corruption in the public sector, (2) the direction of program evaluation audits, (3) team building, (4) and issues affecting corporate governance. E-mail and Web site addresses for ASOSAI members are included, as is the 2004 ASOSAI calendar of events for members' information and scheduling purposes. In addition to serving as a platform for sharing and disseminating information, the *Asian Journal of Government Audit* is a storehouse of information on new initiatives in auditing practices undertaken by its members and peers. Over time, it is hoped that the *Journal* will provide a collection of reference materials. For additional information, contact: Mr. Sunil Kr. Bahri, Editor, Office of the Comptroller and Auditor General of India, 10 Bahadur Shah Zafar Marg, New Delhi, India 110002; tel: ++00-91-11-3231613; fax: 00-91-11-3235446; e-mail : rir@cag.delhi.nic.in; Web site: http://www.asosai.org/profile_f.htm.

Governing Board Endorses INTOSAI Strategic Plan

At an extraordinary meeting in Vienna on June 21-22, 2004, INTOSAI's Governing Board unanimously endorsed the proposed INTOSAI strategic plan. The plan is the result of almost 3 years of intensive development and extensive consultation throughout the INTOSAI community (including meetings, personal contacts and electronic interactions, and circulation to all INTOSAI members in March 2004), and this process has yielded a broad-based consensus in support of the plan. The plan will be distributed to all INTOSAI members in early August 2004 and then presented for consideration and approval at the INTOSAI Congress in Budapest in October 2004.



Governing Board members posed for a group photo during a break at the Vienna International Center.

The idea for an extraordinary meeting emerged at the Governing Board's annual meeting in October 2003, when members agreed on the need to devote an entire meeting to discussing the proposed plan. Secretary General Franz Fiedler generously offered to host the meeting, and he and the staff of the General Secretariat did an excellent job of making the necessary arrangements. Mr. Yun-churl Jeon, Chairman of the INTOSAI Governing Board and the Korean Board of Audit and Inspection, ably chaired the day and a half meeting, guiding Board members through lively discussions and debates on the proposed plan.

In presenting the strategic plan for discussion and speaking on behalf of the 10-nation Strategic Planning Task Force (Antigua and Barbuda, Austria, Burkina Faso, Korea, Norway, Peru, Saudi Arabia, Tonga, the United Kingdom, and the United States) Task Force chairman David Walker, Comptroller General of the United States, noted that the proposed plan provides a blueprint to help INTOSAI and its members meet the challenges and opportunities of the 21st century. The plan also lays the foundation for INTOSAI to lead by example and helps ensure the economy and efficiency of its own operations. It provides a structure and rationale that will facilitate member SAIs' engagement in INTOSAI in a way that maximizes contributions while minimizing the resources required.

The proposed plan consists of the following four strategic goals:

Goal 1: Accountability and Professional Standards: To promote strong, independent, and multidisciplinary SAIs by (1) encouraging SAIs to lead by example and (2) contributing to the development and adoption of appropriate and effective professional standards.

Goal 2: Institutional Capacity Building: To build the capabilities and professional capacities of SAIs through training, technical assistance, and other development activities.

Goal 3: Knowledge Sharing and Knowledge Services: To encourage SAI cooperation, collaboration, and continuous improvement through knowledge sharing, including providing benchmarks, conducting best practice studies, and performing research on issues of mutual interest and concern.

Goal 4: Model International Organization: To organize and govern INTOSAI in ways that promote economical, efficient, and effective working practices, timely decision-making, and effective governance practices, while maintaining due regard for regional autonomy, balance, and the different models and approaches of member SAIs.

Goal 4 is based in large part on a recommendation Portugal made at the October 2003 Governing Board meeting. It proposes a number of actions to help ensure the successful achievement of the plan's three other goals. In developing this goal, the Task Force concentrated on three questions:

- Does the current organization and structure of INTOSAI provide an appropriate focus on and alignment with the proposed strategic goals in the plan?
- Does INTOSAI have sufficient capacity and resources to deliver the proposed goals and activities?
- Is INTOSAI able to make decisions and respond to issues in an efficient and timely manner?

Consultation, Compromise, and Consensus

The work of the Governing Board Task Force was guided by a process grounded in consultation, compromise, and consensus. Several aspects of the proposed strategic plan received the greatest attention and changed most significantly during the planning process. Importantly, the final proposed plan does not propose increased membership dues at this time. The proposed Finance and Administration Committee would be tasked to review INTOSAI's financial condition and existing resources and, beginning in 2007, make recommendations to the Governing Board every 3 years on whether, and to what extent, to increase members' dues.

In addition, the proposed Director of Strategic Planning position was created in lieu of the previously proposed Director General position, and the reporting relationships between the Director of Strategic Planning, the Secretary General, and the Chairman of the Governing Board were clarified. The final proposed plan also clarifies the roles, responsibilities, and reporting relationships of some key entities responsible for implementing the plan, such as the goal liaisons and committee chairs. The final proposed plan also makes clear that the regional working groups will retain their operational autonomy. The plan is designed to encourage the regional working groups

to share key successes and lessons learned across their regions and globally, as well as to provide additional support and assistance to regional groups, as appropriate.

To ensure that INTOSAI has the appropriate authority to implement the proposed plan, the Governing Board has also proposed selected revisions to INTOSAI's governing statutes. The Task Force acknowledged the excellent work of Dr. Franz Fiedler and his staff in preparing the proposed changes to the statutes.

The process of consultation and compromise continued during the extraordinary Board meeting, where a number of further changes were made to the plan, culminating in the Board's unanimous endorsement of the plan. As this issue of the *Journal* is going to press, the endorsed plan and related amendments to the statutes are being sent to all INTOSAI members.

Secretary General and First Vice-Chairman Honored at Meeting

As the extraordinary and historic Board meeting drew to a close, two members of the Board were singled out for special recognition. On the occasion of Dr. Franz Fiedler's retirement as President of the Austrian Court of Audit and Secretary General of INTOSAI, Chairman Jeon presented him with a special plaque of appreciation on behalf of all Board members in recognition of 12 years of dedicated service to INTOSAI. Dr. Fiedler's 12-year term ended on June 30, 2004, just one week after the extraordinary meeting.



Dr. Franz Fiedler (left) received a special plaque of recognition from Board Chairman Jeon.



Dr. Fiedler presented Dr. Arpad Kovacs (right) with a medal and certificate on behalf of the Austrian government.

Dr. Arpad Kovacs, First Vice-Chairman and President of the Hungarian State Audit Office, was also recognized at the meeting. He received a special medal and certificate from the government of Austria for his many contributions to state audit.

Auditing Standards Committee 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. The 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 comprising 87 audit experts from 46 SAIs.

The Working Group on Financial Audit Guidelines held a very productive meeting in Yaoundé, Cameroon, March 30-31, 2004. Several important working documents were approved, including terms of reference for audit experts participating in the development of guidelines and reporting procedures for those experts.

The development of the guidelines is based on close cooperation with the International Federation of Accountants' (IFAC) International Auditing and Assurance Standards Board (IAASB). Audit experts from the reference panel participate in IAASB task forces set up to develop new or revise existing International Standards on Auditing (ISA) to ensure that they include public sector considerations. Back-office experts are appointed to support the expert participating in task force meetings and to provide a broader INTOSAI perspective.

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 State, Mr. Inge Danielsson, Sweden
- Final version expected: March 2005

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: March 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: September 2005

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 (additional back-office experts are expected to be appointed shortly)

The working group is also charged with developing practice notes for each ISA to provide additional guidance that auditors in the public sector may need to apply the ISA. The notes will be based on the contributions of the audit experts from the reference panel. Work on the first practice note is currently in progress under the leadership of the Norwegian SAI.

A focus group has been set up to ensure that public sector issues are considered as early as possible in the process of deciding which ISAs need to be developed or revised. This focus group currently consists of three members: 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 Riksrevisionen of Sweden. The focus group will provide input to the IAASB staff during the drafting of a project proposal for IAASB's consideration.

For further information, contact: the project secretariat or the chair of the working group, e-mail: projectsecretariat@riksrevisionen.se. For more detailed information regarding the standards, visit the IFAC Web site: www.ifac.org.

OLACEFS Pilot Program in Public Debt Auditing Completed

The Public Debt Committee (PDC) and IDI have accomplished the goals they set in June 2002 to develop and deliver a pilot program in public debt auditing in the OLACEFS region. According to IDI Director Magnus Borge's report to PDC members assembled in Moscow, from June 7-9, 2004, 78 auditors from 18 OLACEFS countries received training in public debt auditing. Twenty-five of the participants were trained as public debt "champions," which equipped them to design, develop, and deliver training programs and to develop teaching materials appropriate to the SAIs of the OLACEFS region.

The final activity of the pilot program was the second delivery of the 2-week Public Debt Workshop in the Dominican Republic in April and May 2004 for participants mainly from Central American SAIs. This second Spanish-language workshop used a case study built upon the experiences of some of the public debt champions who conducted a pilot public debt audit in Venezuela in February 2004.

The pilot training program covered topics such as public debt management and auditing, debt recording and information systems, the analysis of debt sustainability, risk measurement, benchmarking, debt reporting, and transparency. A brief "train-the-trainers" module was included, making it possible for all participants to deliver the public debt workshop to colleagues in their national SAIs, thereby multiplying the program's benefits.

In addition, the pilot program facilitated the dissemination of public debt auditing materials to the SAIs and promoted knowledge sharing between participants and subject matter experts. The 78 participants have formed a public debt auditors network in OLACEFS to support their audit practices and sustain their efforts to enhance public debt audit practices in the region.

The course materials developed in OLACEFS will be translated into English. The ASOSAI region has indicated an interest in a similar program and will likely be the second INTOSAI region to offer public debt audit training in cooperation with IDI and the PDC.

For additional information, contact: Public Debt Committee, e-mail: jmanjarrez@asf.gob.mx; Web site: <http://www.intosaipdc.org.mx>, or the INTOSAI Development Initiative, e-mail: idi@idi.no; Web site: www.idi.no.

Task Force to Fight Against International Money Laundering

The INTOSAI Task Force to Fight Against International Money Laundering held its second meeting in Washington, D.C., on April 6, 2004. Representatives from seven SAIs attended the meeting hosted by Mr. David Walker, Comptroller General of the United States, at the U.S. General Accounting Office.

The task force was created in October 2002 at INTOSAI's Governing Board meeting and is chaired by the SAI of Peru. Its first meeting was held in Moscow in September 2003.

At this second meeting, task force members discussed future work plans. The first objective of the task force is to promote international cooperation in the fight against money laundering. The task force has identified several international organizations with which it needs to work and heard from a panel of experts representing the International Monetary Fund, the World Bank, the Financial Action Task Force, and the Egmont Group of Financial Intelligence Units.

The task force's second objective is to identify and share policies and strategies for combating money laundering within the competencies and authorities of SAIs. At the meeting, task force members discussed their SAIs' ongoing work on anti-money-laundering issues. Task force members also heard about the work of the Office of the Auditor General of Canada, whose representatives participated by conference call.

The task force's third objective is to monitor and report on domestic and international cooperation designed to promote anti-money-laundering strategies. Task force members agreed to determine the extent to which their countries were in compliance with the recommendations developed by the Financial Action Task Force. (See "Reports in Print" on page 18 for additional information about these recommendations.) Task force members also agreed that they would pursue this issue at the regional level to determine what other countries in each INTOSAI region were doing.

To identify training and development needs—the fourth objective—task force members agreed to compile a compendium of private sector training that would allow SAIs to understand exactly what money-laundering is and provide some specific examples. The task force felt it was too early to identify training by individual SAIs or through the INTOSAI Development Initiative.

Finally, the task force agreed that because its work is by definition temporary, those SAIs interested in discussing anti-money laundering issues regularly should form a community of practice or working group. The task force's draft work plan will be presented for approval at the INCOSAI in Budapest in October 2004.

For more information on task force activities, contact: Contraloría General de la República, e-mail: contraloria@contraloria.gob.pe; Web site: <http://www.contraloria.gob.pe>.



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>

Major Survey Forthcoming

IDI is planning to survey training and capacity-building needs in the SAIs of developing countries. The survey is targeted for distribution at the beginning of July 2004, with results expected by September 2004. It is intended to help IDI plan training and capacity-building programs as part of Goal 3 of the IDI Strategic Plan 2001-2006. Goal 3 provides a mandate for cooperation with INTOSAI's standing committees and working groups. The survey will specifically target training needs in

- information technology (IT) auditing;
- environmental auditing;
- public debt auditing; and
- the audit of privatization, economic regulation, and public/private partnerships.

ASOSAI Delivers Two New Workshops

ASOSAI recently delivered two workshops, bringing to a close its second train-the-trainers program, which began in 2002. Both workshops were funded by the Asian Development Bank, with IDI paying for the attendance of subject matter experts (SME). The first, in Malaysia at the end of April 2004, was a 2-week workshop entitled Financial Auditing in an IT Environment. The SAI of India generously contributed the services of an SME, in association with the INTOSAI IT Auditing Committee.

The second 2-week workshop, entitled Audit of Privatization, took place in the Philippines in May 2004. The SAI of the United Kingdom, Chair of the INTOSAI Working Group on the Audit of Privatization and one of the most experienced SAIs in auditing privatization activity, generously contributed the services of an SME.

EUROSAI Long Term Training Program Phase II: Course Design and Development Workshop

The longest part of the EUROSAI Long Term Training Program (LTTP) Phase II, the Course Design and Development Workshop (CDDW), took place in Bulgaria from April-June 2004. Lasting 6 weeks, the workshop helped to ground participants in the IDI training methodology, which is learner centered, and gave them an opportunity to design individual 2-day courses on subjects that met a regional need. They also began designing 8-day courses on performance auditing that will be delivered in 2005 as the final activities of this training program. For the first time, the CDDW was delivered in two languages, English and Russian. The 33 participants from 19 SAIs came from Eastern Europe, the Balkans, and the Central Asian republics.

The next stage of the program, the Instructional Techniques Workshop, will take place in Lithuania in September 2004.

IDI as a Liaison within the INTOSAI Community

April through June 2004 were busy months for IDI as it continued its obligations to network as widely as possible within the INTOSAI community. In response to invitations, IDI representatives spoke at the annual meetings of the INTOSAI Working Group on the Audit of Privatization (Bulgaria), the INTOSAI Working Group on Environmental Auditing (Brazil), and the INTOSAI Public Debt Committee (Russia),

all in June. IDI had previously spoken at the annual meeting of the INTOSAI IT Auditing Committee in Russia in April 2004.

IDI is also regularly invited to INTOSAI regional congresses and some regional training committee (RTC) or regional institutional strengthening committee (RISC) meetings. IDI representatives attended the Anglophone Africa Congress (Namibia), the SPASAI Congress (Samoa), and the third EUROSAI-OLACEFS Conference (United Kingdom), all in May 2004, and the ARABOSAI Congress (Jordan) and CAROSAI RISC meeting (Cayman Islands) in June 2004. Looking ahead, IDI representatives will also attend the EUROSAI RTC meeting in Lithuania in July 2004.

ASOSAI/IDI Regional Symposium for Training Specialists

The ASOSAI/IDI Regional Symposium was held in Bangkok, March 29-April 3, 2004. Fifty-two ASOSAI training specialists from 22 SAIs, comprising 21 graduate training specialists from 1998 and 31 from 2002, attended the event, along with several SMEs and ASOSAI and IDI representatives. The 1-week symposium gave participants the opportunity to develop their regional network and attend many professional sessions. The symposium had two parts. In the first, training specialists were able to update their knowledge and skills. In the second, they prepared preliminary course designs for future development. The six topics selected for the preliminary design work were audits of fraud, public debt, and procurement; performance audit criteria; and audit quality assurance and coaching. In consultation with ASOSAI, IDI plans to assist in developing some of these topics into full courses during 2004 and in future years.

Contacting IDI

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

INTOSAI 2004-2005 Events



July

August

September

October

10-16 18th INCOSAI,
Budapest, Hungary

November

15-19 OLACEFS Congress,
Buenos Aires, Argentina

December

January 2005

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

February

March

April

May

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.