



INTERNATIONAL JOURNAL

— OF GOVERNMENT AUDITING —



Board of Editors

Margit Kraker, *President, Rechnungshof, Austria*

Michael Ferguson, *Auditor General, Canada*

Nejib Gtari, *Premier Président, Cour des Comptes, Tunisia*

Gene L. Dodaro, *Comptroller General, United States of America*

Manuel E. Galindo Ballesteros, *Comptroller General, Venezuela*

President

James-Christian Blockwood (U.S.A.)

Editor

Heather Santos (U.S.A.)

Assistant Editor

Kristie Conserve (U.S.A.)

Creative and Editorial Team

Juanita Aiken (U.S.A.)

Mike Hix (U.S.A.)

Darreisha Bates (U.S.A.)

Chris Stone (U.S.A.)

Administration and Operations

Peter Knopes (U.S.A.)

Amanda Valerio (U.S.A.)

Associate Editors

AFROSAI Secretariat

ARABOSAI Secretariat

ASOSAI Secretariat

CAROSAI Secretariat

EUROSAI Secretariat

OLACEFS Secretariat

PASAI Secretariat

INTOSAI General Secretariat

Office of the Auditor General, Canada

Office of the Auditor General, Tunisia

Office of the Auditor General, Venezuela

U.S. Government Accountability Office

INTERNATIONAL JOURNAL

OF GOVERNMENT AUDITING

Summer 2018

Vol. 45, No. 3

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

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

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

(Phone: 202-512-4707; Fax: 202-512-4021; E-mail: intosaijournal@gao.gov).

Given the *Journal's* use as a teaching tool, articles most likely to be accepted are those that deal with pragmatic aspects of public sector auditing. These include case studies, ideas on new audit methodologies, or details on audit training programs. Articles that deal primarily with theory would not be appropriate. Submission guidelines are located at <http://www.intosaijournal.org/aboutus/aboutus.html>.

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

THIS ISSUE

4 Editorial

6 News in Brief

15 Feature Stories

Transforming the World Through Sustainability Efforts

Exploring New Ways to Audit Training, Build Capacity, Address Sustainability

Capitalizing on Standards, Knowledge Sharing to Audit Disaster Recovery Efforts

Applying Lessons Learned to Increase Transparency, Integrity

26 Inside INTOSAI

37 INTOSAI-Donor Cooperation Achievements Through Partnerships

42 Spotlight on Capacity Building



CHANGES NEED A PERSON BEHIND THEM

by Arūnas Dulkys, PhD, Auditor General of the Republic of Lithuania

State resources are limited, so desiring more than necessities may become threatening. By our nature, we are more likely to see only the positive sides to our expectations. Rarely do we think our fulfilled dreams come with a price paid by someone else. What happens if we take actions without thinking about possible consequences? The consequences of an incorrect desire prompt the emergence of another incorrect action. Unless this process is prevented, adverse consequences begin to grow exponentially.

Lithuania is no exception. With limited resources, a difficult task arises—allocating them in such a way that drives economic growth. Processes that are an end in themselves should not be tolerated. Audits conducted by the Supreme Audit Institution (SAI) of Lithuania reveal a picture where program objectives, goals, measures and criteria financed using State budget funds are often artificially developed. Consequently, the administrative burden is increased, and added value is not created.

In developing an evidence-based, results-oriented public administration system in Lithuania, the intent was to use performance data primarily for performance improvement. Using this data exclusively for reporting has numerous negative effects, such as excessive performance criteria, speculation on criteria values and a goal to simply implement the set requirements rather than tangibly improving results.

In his scientific works, Dr. Norbert Wiener, scientist and forerunner of cybernetics and artificial intelligence theory, signaled that we should only pursue objectives and expect results that are truly necessary (not just appear to be so). Scientific studies on management issues led to the coined phrase “monkey’s paw effect.” The phrase signifies a defect and unpredictability of any process when the expected positive result is accompanied by unintended negative consequences resulting in losses that exceed positive results and, at the same time, devalues them.

The story tells of a family—husband, wife and son—sitting by a cozy fire listening to stories from a friend who has just returned from overseas duty. He shows the family a dried-up

monkey's paw he brought back with him, and it seems that each owner of the mysterious paw is granted three wishes. Though the wishes (and outcomes) remain a mystery, the tale the friend weaves is one of tragedy.

The gripping tale does not deter the father, who pulls the paw from the fire. After his friend leaves, the son departs for work, and, out of curiosity, the father tries his fortune by wishing for money. The father's wish comes true, as a clerk from the factory where the son works knocks on the door and presents the family with two hundred pounds. The payment—compensation for a factory accident that killed the son.

The mother gets a spontaneous second wish to bring the dead son back. An ominous knock is heard at the door. The father hastily makes a third wish to refuse all wishes as the door opens to find the son standing there—in a horrifying condition caused by the accident.

The paw, a symbol of greed, activated wishes accompanied by terrible consequences stemming from egoistic thoughts. Likened to the hand of public authority and decisions made with its help, the paw beckons that those entrusted to make decisions must continually consider the true consequences.

The signals this story sends are two-fold: developing the courage to learn from mistakes and investing in our public education systems to foster such experiential learning.

We must learn how to learn from mistakes and learn boldly. Are our national priorities reflected in the State budget or only in our rhetoric? Are we able to define, and agree on, what adds value?

Speaking candidly about how we deal with funding education is more important than ever. For more than ten years, learning outcomes in Lithuania have fallen below the average of Organisation for Economic Co-operation and Development (OECD) countries.

The number of schools is decreasing at a slower rate than the number of pupils. Learning outcomes in smaller, rural schools are lower than in larger towns. This further increases the exclusion. Studies on the future of education

believe pupils with low learning outcomes pose a potential public burden—most will not be able to live and work independently. They will need maintenance.

Creation of added value has a very positive national effect in terms of solving societal problems, such as emigration and social exclusion. Thus, the first significant step should be clearly and unambiguously identifying such goals. Second, measures aimed at increasing added value should be prioritized. Third, activities of public sector bodies should be focused not on social function and job preservation, but rather on ensuring public service quality is as high as possible.

Such changes need a person behind them. Therefore, providing higher wages to public sector civil servants should be established. Doing so increases the potential to attract highly qualified and motivated employees. It is a very ambitious target.

What's even more ambitious?

Doing only the things that are meaningful. Social sciences often point out the irrationality of human behavior, and the monkey's paw short story illustrates that distorted expectations lead to negative consequences not caused by an object but by the system in which the characters live.

Fulfilling anything sensible cannot be done through a monkey's paw, either. It simply finds another host to continue circulating in the market of greed. Does it not remind us of the practice when a latent threat—budgetary governance dried like a monkey's paw—travels from one political administration to another?

If we asked for two hundred pounds from the State budget without openly, honestly discussing the conditions, perhaps we would, in fact, accept the funds regardless of consequences. Yet, if we cannot agree on what adds value, what moral and fair investment results look like, then a "results-ghost" may come knocking on our door.

"We must learn how to learn from mistakes and learn boldly. Are our national priorities reflected in the State budget or only in our rhetoric?"

NEWS FROM SAIs AROUND THE WORLD

News from Belarus

CONTROL, OVERSIGHT SYSTEM REFORMED IN REPUBLIC OF BELARUS

Changes in legislation regulating oversight activity became effective in the Republic of Belarus January 1, 2018.

These innovations, outlined in the presidential decree “On Measures to Improve Control (Oversight) Activities,” were developed by a specially created working group headed by the State Control Committee (the Supreme Audit Institution (SAI) of Belarus).

The new legislation reduces oversight bodies authorized to conduct audits by one third and provides for numerous measures aimed at reducing audit restrictions or regulations on business entities, such as stricter conditions for audits, audit frequency limitations, and the range of issues allowed to be audited.

Beginning in 2019, selective audits will be introduced into oversight bodies and will be conducted based on risk assessment criteria while considering available information regarding potential legislative violations by the audited entity. In an effort to increase stakeholder communication and transparency, the schedule of selective audits will be communicated on the SAI Belarus website.

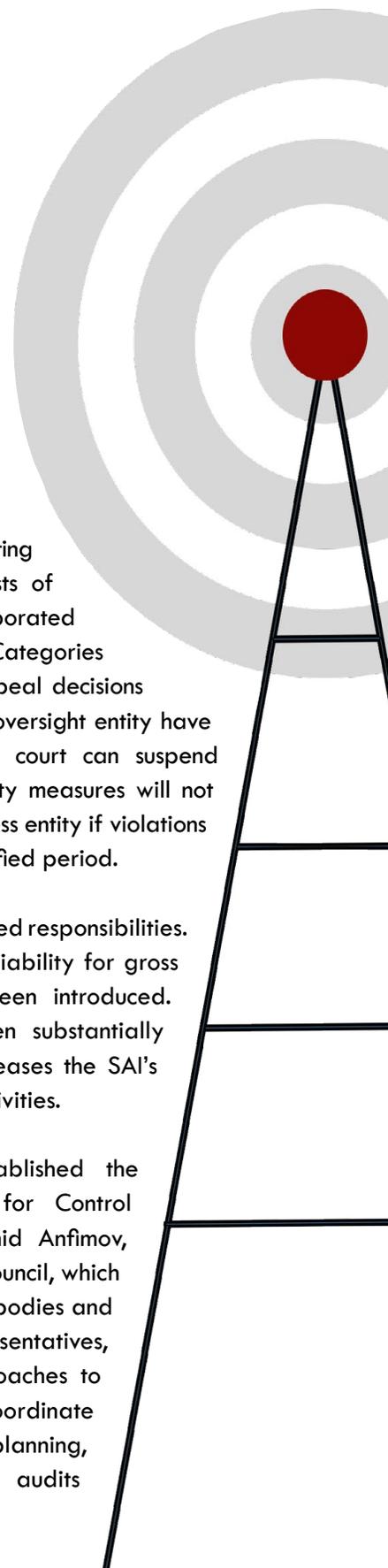
Initiating unscheduled audits has increased limitations, with approximately 50 percent of the grounds to conduct such audits being excluded. Unscheduled audits will be conducted primarily if the oversight body has reliable information on legislative violations or has factual knowledge that specific dangers exist, such as threat to human life and health; and damage to the environment, state security, and property.

Business entity use of budget funds, state finances, property and support will also provide a basis for conducting an unscheduled audit.

Additional mechanisms protecting legitimate rights and interests of businesses have been incorporated into the new legislation. Categories of those having rights to appeal decisions and actions set forth by the oversight entity have been broadened. Only the court can suspend auditee activities, and liability measures will not be applied against the business entity if violations are addressed within a specified period.

Controllers now have expanded responsibilities. In particular, administrative liability for gross legislative violations has been introduced. SAI powers have also been substantially modified, which further increases the SAI’s monitoring and oversight activities.

Recently, SAI Belarus established the Interdepartmental Council for Control Activities. Led by Mr. Leonid Anfimov, Chairman, SAI Belarus, the council, which also includes heads of state bodies and business community representatives, seeks to form unified approaches to oversight activities and coordinate effective interaction in planning, organizing and conducting audits and inspections.



News from Ukraine

UKRAINE PARLIAMENT APPOINTS NEW ACCOUNTING CHAMBER CHAIRMAN



The Verkhovna Rada (Parliament) of Ukraine appointed Mr. Valeriy Patskan as Chairman of the Accounting Chamber of Ukraine March 15, 2018.

Mr. Patskan was born in April 21, 1975, in the village of Zolotareve in the Khust District of Zakarpattia Oblast (Ukraine). In 1999, he graduated from Uzhgorod State University, specializing in Law and Banking. He graduated from the Interregional Academy of Personnel Management, where he earned a Master of Banking qualification. Mr. Patskan holds a PhD in Law and became an Honored Lawyer of Ukraine in 2017.

Mr. Patskan began his career as a Legal Department Chief Specialist in the Antimonopoly Committee of Ukraine's Zakarpattia Regional Territorial Office located in Perechyn, Zakarpattia Oblast. He served as Legal Counsel for the Perechynsky Forestry Plant from 2000-2001, then moved to the Augustine Voloshin Zakarpattia Institute of Interregional Academy of Personnel Management in Uzhhorod, where he served as a Senior Lecturer, Acting Assistant Professor and Deputy Head of the Department of Law. From 2002-2004, he was the Deputy Director and Acting Director for the PrivatBank's Uzhhorod Branch followed by working as the Director of Index-Bank's Zakarpattia Branch in Uzhhorod. He was the Director General of Carat Motor in Perechyn, Zajarooattua Oblast from 2008-2012.

He was elected as a Ukrainian Member of Parliament in December 2012, where he headed the parliamentary committee of the seventh convocation on human rights, national minorities and interethnic relations. Mr. Patskan also served as chairman of the subcommittee on relations with Ukrainians living abroad.

News from Tajikistan

SAI TAJIKISTAN WELCOMES NEW ACCOUNTS CHAMBER CHAIRMAN



The Republic of Tajikistan selected Mr. Chillazoda Karakhon to serve as Chariman of the Accounts Chamber. Nominated by the President of the Republic of Tajikistan, he was approved by Tajikistan's Majlisi Namoyandagon of Majlisi Oli (Parliament) on February 21, 2018.

He was born January 30, 1961, and has worked in economics and finance throughout his career, having held senior positions in various state administration bodies. Prior to his appointment to the Accounts Chamber, he served as Department Head in the Khatlon Region Finance Office for the Republic of Tajikistan's Ministry of Finance. He graduated from the Faculty of Accounting at Tajik State University of Commerce in 1990.

For more information, contact the Accounts Chamber of the Republic of Tajikistan via email at pressa@sai.tj.

News from Iceland

NEW AUDITOR GENERAL OF ICELAND ASSUMES OFFICE



Mr. Skuli Eggert Thordarson formally assumed office as the Auditor General of Iceland May 1st, 2018. Mr. Thordarson, was unanimously elected by Althingi, Iceland's Parliament, will serve a six-year term. He succeeds Mr. Sveinn Arason who retired April 30, 2018, after ten years of service.

Prior to assuming his position as Auditor General, Mr. Thordarson gained extensive experience from the Icelandic tax authorities, where he worked for 37 years, including serving as the Director General of Tax Administration. Additional roles include the Tax Administration's Deputy Director and Director of Tax Investigations.

Mr. Thordarson holds a law degree (candidate juris) from the University of Iceland and looks forward to participating in important cooperation among Supreme Audit Institutions (SAIs), bilaterally and multilaterally, within the framework of the International Organization of Supreme Audit Institutions (INTOSAI) and the European Organization of Supreme Audit Institutions (EUROSAI), as well as with fellow Nordic SAIs.

News from Kazakhstan

NEW CHAIRMAN OF ACCOUNTS COMMITTEE TO OVERSEE BUDGET EXECUTION



Ms. Natalya Godunova was appointed as a Chairman of the Accounts Committee for Control over Execution of the Republican Budget for the Republic of Kazakhstan in February 2018.

She began her career as an economist at Agroprombank Ural in 1993 and has served in numerous high-level positions, including adviser-economist of the Republic of Kazakhstan Trade Agency in the Russian Federation; adviser to the Mayor of the Mangistau region; adviser to the Republic of Kazakhstan's Deputy Prime Minister; Deputy Mayor of the Kyzylorda region; Secretary of the Nur Otan Party; and Member of the Republic of Kazakhstan's Central Election Commission.

Ms. Godunova has earned qualifications from the West-Kazakhstan Agricultural Institute (economist) and the Financial Academy under the Russian Federation Government. Her honors and awards include an Honorary Certificate of the Republic of Kazakhstan (2008) and the Order of Kurmet (2016).

AUDITOR GENERAL'S OFFICE CHANGES NAME, APPOINTS NEW LEADERS

Thailand's Auditor General's office is now the State Audit Office (SAO) of the Kingdom of Thailand.



General Chanathap Indamra was appointed as the President of the State Audit Commission in September 2017 for a term of seven years.

He holds a Bachelor of Science from Chulachomklao Royal Military Academy and a master's degree in Public Administration (MPA) from Sripatum University, where he majored in public policy and personnel administration. He also completed the diploma program from the National Defense College of Thailand.

General Chanathap Indamra served in the military working in fields related to finance, accountancy, budget management and internal audit. In his civilian role, he has served with the Office of the Ombudsman as a member of the Senate Standing Committee on Corruption Investigation and Good Governance Promotion of Thailand.

He has been honored by the Moral Promotion Center as a model of integrity.



Mr. Prajuck Boonyoung was appointed as the Auditor General in February 2018, where he will serve a six-year term.

He holds a bachelor's degree in Economics Theory from the University of Thai Chamber of Commerce and a Master of Financial Economics from the National Institute of Development Administration.

He also completed the diploma program from the National Defense College of Thailand and is certified in administrative law of administrative court.

Working for the SAO for over 30 years, he is a pioneer behind the initiation and development of performance audit for the SAO.

For more information about the SAO of the Kingdom of Thailand, visit the website at www.oag.go.th.

News from Peru



SAI PERU IMPLEMENTS NEW STRATEGIES TO FIGHT CORRUPTION

The Supreme Audit Institution (SAI) of Peru celebrates the promulgation of the Law for Institutional Strengthening and the National Control System, recently approved by the Peruvian parliament.

This law aims to increase transparency, as well as modernize and strengthen sanctioning and supervision capacities in the proper use of public resources.

SAI Peru will implement several innovative initiatives through this law to raise quality standards in government control, set in motion a new structure and advance transparency.

SAI Peru intends to publish all audit reports and increase public intervention quality to obtain positive, rapid and efficient results to recover citizens' trust in government institutions and authorities.

To fight high levels of corruption in the public sector, "Sanctioning Administrative Procedures" will be redesigned to ensure rapid, predictable sanctions are applied in cases of severe functional misconduct. Auditing public servers' state through direct access to National Control System databases is an additional measure SAI Peru will employ.

A very relevant aspect of this law is SAI Peru's administrative sanctioning capacity for public servants and officers elected by popular vote. SAI Peru has 120 days to corroborate information on thousands of public officers' affidavits related to income, assets and taxes. This massive, permanent measure will be carried out with no restrictions.

After full implementation of this law, SAI Peru plans to conclude the use of SAI branches in municipalities and regional government to centralize administrative efforts.



SAI PERU SIGNS SEVERAL AGREEMENTS TO EXTEND JOINT SAI EFFORTS

The Supreme Audit Institution (SAI) of Peru signed inter-institutional cooperation agreements with the SAIs of El Salvador and Guatemala in San Salvador, El Salvador, March 19, 2018. In an effort to strengthen joint capacities, the agreements aim to facilitate technical assistance, training, information exchange and sharing of best practices in developing coordinated, concurrent and environmental audits. *Photo of participants pictured immediate right.*



SAI Peru and SAI Panama signed a cooperation agreement in Panama City, Panama, to establish a general framework to develop and facilitate collaboration on topics of common interest, particularly specific technical assistance involving professionals with certified qualifications and experience in the various areas of governmental control. The agreement is also designed to work together on training through developing academic-professional activities, such as conferences, seminars, workshops, and degree programs on the subject of governmental control. *Photo of participants pictured immediate right.*



The heads of SAI Peru and SAI Honduras met in Tegucigalpa, Honduras, to sign a Memorandum of Understanding (MoU) February 20, 2018. As the presiding SAI for the Organization of Latin American and Caribbean Supreme Audit Institutions' Commission for the Performance Evaluation of SAIs and Performance Indicators, SAI Peru will provide technical assistance to support SAI Honduras in preparing its Strategic Plan 2018-2023 and multi-annual planning, which will be based on the Performance Measurement Framework. These tasks will help SAI Honduras achieve institutional objectives in a manner aligned with international norms and providing value and benefit for its citizens. *Photo of participants pictured immediate right.*



News from Argentina

ARGENTINA'S SAI TO HOST 2018 OLACEFS GENERAL ASSEMBLY



The National Audit Office of the Argentine Nation (AGN), the nation's Supreme Audit Institution (SAI), will host the 2018 LXVIII Board of Directors meeting and the XXVIII Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) General Assembly in Buenos Aires, Argentina, October 9-12, 2018.

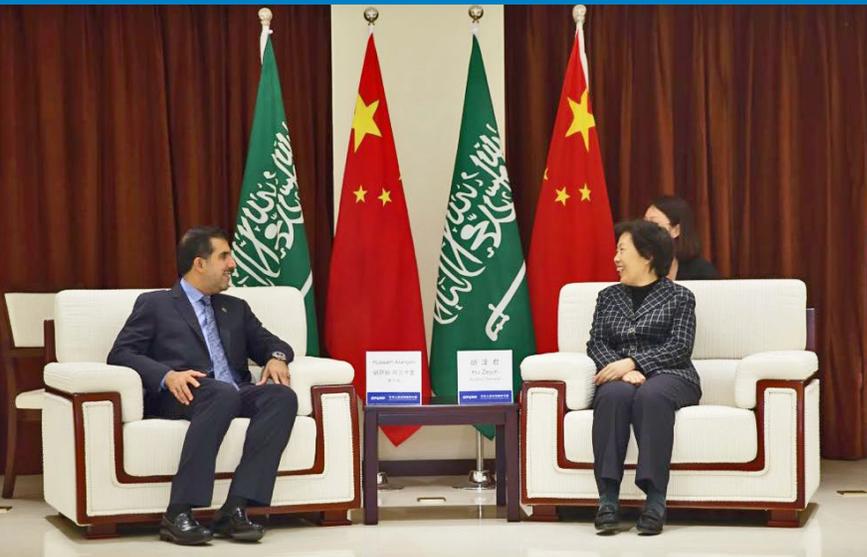
The Board of Directors meeting will be held at AGN headquarters, and the General Assembly opening ceremony and plenary meetings will take place at the Panamericano Buenos Aires Hotel.

Since the unanimous decision was made for SAI Argentina to host the XXVIII OLACEFS General Assembly at last year's assembly in Asunción City, Paraguay, AGN has been intensely working to ensure all participant needs are met.

Due to other international events taking place in close proximity and time to the XXVIII assembly, it is highly advised to make all travel arrangements as soon as possible.

For more information, continue to check the AGN website at www.agn.gov.ar.

News from Saudi Arabia



- Saudi Arabia's General Auditing Bureau (GAB) participated in the Arab Organization of Supreme Audit Institutions (ARABOSAI) 57th Governing Board meeting in Tunisia March 27-29, 2018.

- The GAB delegation led by H.E. Dr. Hussam Al-Angari, GAB President, participated in the International Organization of Supreme Audit Institutions (INTOSAI) Working Group on Financial Modernization and Regulatory Reform (WGFMR), hosted by the National Audit Office of the People's Republic of China (CNAO) March 28-29, 2018.

- The GAB held its 15th annual seminar May 2018 in Riyadh. The seminar, which focused on "Auditing the Implementation of the Sustainable Development Goals: Challenges and Issues of the Preparedness

Phase," featured high-level speakers from several Supreme Audit Institutions (SAIs), the INTOSAI General Secretariat, and partner organizations, including the United Nations and the World Bank.

- Dr. Mohammed Al-Habib has been appointed as advisor to the President and Director General of the International Relations Department.

News from United Arab Emirates



The United Arab Emirates (UAE) State Audit Institution led the Financial Audit and Accounting Subcommittee meeting in Paro, Kingdom of Bhutan, March 27-29, 2018.

Dr. Harib Saeed Al Amimi, President of UAE's State Audit Institution, and Chairman of the International Organization of Supreme Audit Institutions (INTOSAI), hosted Ms. Tytti Yli-Viikari, Auditor General of the National Audit Office of Finland, to discuss future cooperation endeavors.



UAE's State Audit Institution signed a joint cooperation agreement with the Saudi Arabia's General Auditing Bureau. The agreement aims to collaboratively develop work mechanisms beneficial to both Supreme Audit Institutions (SAIs).

The State Audit Institution of the UAE participated in the Lima Declaration Anniversary event in Lima, Peru, celebrating 40 years of SAI independence.



News from Lithuania

SAVE THE DATE FOR SIGNALS 2018!



The National Audit Office (NAO) of Lithuania will host "Signals 2018" November 28, 2018, in Vilnius, Lithuania. "Signals 2018," the NAO's second sustainable development conference, will invite participants to consider two signals.

- Is it possible to develop a public budget that's understandable to each and every citizen?
- How do we ensure health care service quality?

The best public management practitioners in the country, internationally recognized subject matter experts, heads of public sector authorities, business and academic leaders, and representatives from the Organisation for Economic Co-

operation and Development (OECD) and the Bruegel think-tank will be invited to (1) discuss the public budget; (2) consider the prospects of the European Union's long-term financial program beyond 2020; (3) share initiatives necessary for the nation's sustainable development; (4) HEAR the signals emitted by the health care system; and, most importantly, (5) ACT.

For more information about "Signals 2018," visit the conference website at www.signals.lt.

News from Ecuador

SAI ECUADOR PROMOTES NATIONAL CONTEST FOR INTOSAI JOURNAL FEATURE ARTICLE



E
C
U
A
D
O
R

The International Affairs Directorate of the Office of the Comptroller General of Ecuador, Ecuador's Supreme Audit Institution (SAI), launched a contest encouraging staff to write articles on innovative auditing techniques to submit to the International Journal of Government Auditing (Journal), the official International Organization of Supreme Audit Institution's (INTOSAI) communication organ.

Several articles were presented to a selection committee (comprised of several SAI Ecuador experts) that judged each piece on stringent, predetermined criteria. The winning article came from Ms. Betty Carrión, who explored contributions of 60 audit reports that reviewed numerous government measures introduced in response to Ecuador's 2016 earthquake.

Ms. Carrión's article emphasizes the relevance in auditing disaster measures with an approach that incorporates International Standards of Supreme Audit Institutions and INTOSAI community knowledge sharing.

The competition demonstrates SAI Ecuador's leadership and commitment (institutionally and individually) to sharing knowledge, experience and best practices and highlights the importance of communicating.

Read the winning article, "[Capitalizing on Standards, Knowledge Sharing to Audit Disaster Recovery Efforts](#)," in the feature articles section.



by Mr. Shourjo Chatterjee, Accountant General, SAI India

Supreme Audit Institutions (SAIs) have served citizens by ensuring accountable use of public resources for national development. Irrespective of borders, across the International Organization of Supreme Audit Institutions (INTOSAI) community, members are collaborating with international peers and counterparts to ensure value-based delivery of services to citizens.

This proven conviction in SAI capabilities is exemplified by comprehensive audit reports coupled with regular

interaction between the United Nations (UN) and INTOSAI in UN/INTOSAI symposiums. Ongoing collaborative efforts led to the 66th UN General Assembly adopting the 2011 resolution on SAI Independence, which was later reinforced by the 69th UNGA Resolution that focused on promoting and fostering public administration efficiency, accountability, effectiveness and transparency by strengthening SAIs.

Benefits SAIs provide have been aptly summed up within International Standard of Supreme Audit Institutions (ISSAI 12), "The Value and Benefits of Supreme Audit Institutions—Making a Difference to the Lives of Citizens."

In this context, studying the role of SAIs in implementing the Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs) is important, as these goals seek to go beyond addressing resource use and service delivery. Rather, they pertain to the much larger issue of sustaining the world for posterity, as exemplified by the 2030 Agenda for Sustainable Development. The 17 SDGs emanating from the 2030 Agenda seek to build on successes of the MDGs, a UN campaign launched in 2002 that supported and inspired global actions to achieve eight goals by 2015.

This article seeks to summarize SAI contributions, and their importance, in serving the world through sustainability efforts and helping to achieve MDG and SDG responsibilities.

MDG Realization—SAI Services

Unlike the institutionalized cooperation and formal efforts for SAI involvement in implementing SDGs, explicit MDG efforts were comparatively limited. However, MDG implementation was marked by an increase in adopting performance audits and other niche audits that encompassed gender, environmental and social aspects.

Table 1 illustrates indicative audits corresponding to each MDG undertaken by a global SAI sample. These audit types have assisted in MDG realization.

Of particular note, the INTOSAI Working Group on Environmental Auditing (WGEA) consistently contributed to MDG 7 by capitalizing on peer cooperation and support.

SAIS	MDG	TITLE OF AUDIT	YEAR	OUTLINE OF COVERAGE
NAO PR CHINA	1	<i>The Audit Results of 40 Counties Financial Poverty Alleviation Funds by the National Audit Office</i>	2016	Competent authorities' performance in distribution and management of poverty alleviation funds
OLACEFS (SAIs of Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Honduras, Mexico, Panama and the Dominican Republic)	2	<i>Coordinated Audit on Education Indicators</i>	2016	PAs on generating education statistics also assessed the behavior of indicators of the education goals in the context of the MDGs and the Education for All program
OAG UGANDA	3	<i>VFM Audit Report on Government's Efforts to Achieve Gender Equality</i>	2013	Gender inequality as a cause and consequence of poverty and a constraint to national growth. Uganda Gender Policy and Gender Mainstreaming Tool
CAG OF INDIA	4	<i>PA of Integrated Child Development Services Scheme of Union Government, Ministry of Women and Child Development</i>	2013	State provided services to children before and after birth and their period of growth to ensure their holistic development
NAO TANZANIA	5	<i>PA on Monitoring Evaluations and Budget Allocation for Maternal Health Care Activities in Tanzania</i>	2011	Maternal mortality, maternal health education, evaluation of components of health system that relates to maternal health and allocation of funds for maternal health care
UK NAO	6	<i>Department for International Development Responding to HIV/AIDS</i>	2004	HIV/AIDS strategy; global partnerships to achieve its objectives on HIV/AIDS; tackle the epidemic; use of research on HIV/AIDS
PASAI (SAIs of Cook Islands, Federated States of Micronesia (FSM), FSM Kosrae, FSM Pohnpei, Fiji, Palau, Samoa, Tuvalu, and two other Pacific Islands and Territories)	7	<i>Coordinated Pacific Region PA on Climate Change Adaptation and Disaster Risk Reduction Strategies and Management</i>	2015	Preparedness for climate change effects; planning for and managing climate change effects, such as coastal erosion; and managing climate change effects on food security

Table 1: Sample Audits Addressing the MDGs.

SDG Implementation—SAI Roles

The SAI role in SDG implementation was reflected in the most recent UN-INTOSAI events held in 2015 and 2017, with the 2015 symposium focusing on the UN's Post-2015 development agenda and the means SAIs have to implement sustainable development while the 2017 symposium highlighted how digitalization, open data and data mining impact SAI audit work and help enhance SAI contributions toward SDG implementation follow-up and review.

The XXII INTOSAI Congress in 2016 also employed an SDG thematic approach that addressed SAI roles in SDG implementation, paying particular attention to how INTOSAI can contribute to the UN 2030 Agenda for Sustainable Development through good governance and strengthening the fight against corruption.

UN agencies are cooperating with the INTOSAI Development Initiative (IDI) to build SAI capacity through the IDI "Auditing Sustainable Development Goals" program, and INTOSAI regional, bilateral and multilateral collaboration among SAIs has also been energized to promote capacity in reviewing and following up with national SDG implementation efforts.

According to IDI's 2017 Global SAI Stocktaking Report, 193 countries have subscribed to SDG implementation, and INTOSAI has recognized this as a crosscutting priority in its strategic plan. Fifty-six percent of SAIs indicated an intent to include themes on preparedness for, or implementation of, SDGs in subsequent audit programs.

Sustainability—Addressing SAI Challenges

SAIs have the onerous responsibility to ensure accountability in the process of transforming the world by 2030. It is important to recognize the challenges faced and how these challenges can be addressed.

Institutional Challenges: IDI's 2017 SAI Global Stocktaking Report statistics showed most SAIs have the mandates, capacity and willingness to audit SDG implementation or national preparedness for SDG implementation. Remaining

SAIs must strengthen mandates and follow up on efforts by engaging with relevant stakeholders.

Capacity Challenges: SAIs need to enable the ability to address SDGs by focusing on capacity development support, knowledge sharing, peer support and training. SAIs should also develop proper performance indicators to assess and redress such challenges.

National Data Systems: IDI's 2017 SAI Global Stocktaking Report cited 30% of SAIs indicated not knowing if their governments (1) have established SDG baseline data or (2) intend to collect data and report on SDG progress. Only 21% of governments have defined baseline data to monitor and evaluate SDG implementation progress, and 24% are in the early stages of preparation. It is imperative that SAIs engage with government officials and recommend appropriate tools and techniques.

Leadership and Stakeholder Engagement: SAI leadership must lead by example, set the tone and constantly seek to engage and follow-up with stakeholders.

Sustaining Relevance: Sustaining relevance is critical. To do so, SAIs should employ relevant ISSAIs and use performance indicators to assist in evaluating work in a way that leads to continuous improvement.

Conclusion

The international community has entrusted SAIs with an important role in SDG evaluation. SAI mandates and expertise, along with experience in conducting MDG-relevant audits, will enable SAIs to better meet SDG requirements and serve humanity by transforming the world.



EXPLORING NEW WAYS TO AUDIT TRAINING, BUILD CAPACITY, ADDRESS SUSTAINABILITY

by Aamir Fayyaz, Director, SAI Pakistan, Office of the Deputy Auditor General (Central), Lahore

Capacity building is critical for all dynamic organizations, both public and private. Training, an essential tool to systematically build capacity, also helps achieve desired organizational objectives. Public sector training programs are generally funded through national budgetary allocations and tend to be subject to audit by Supreme Audit Institutions (SAIs), the nature of which is determined by the SAI mandate that, typically, covers regularity and performance auditing.¹



Often, training organizations are viewed as ordinary public sector establishments, and, accordingly, the audit approach tends to remain limited to compliance (C). This approach is limiting, as it does not address the issue of effectiveness. Performance audits seek to collect evidence on (1) Economy, (2) Efficiency and (3) Effectiveness (3Es) but has no bearing on assessing an organization's compliance.



Objectives

Uniting compliance and performance audit objectives into one audit assignment is covered in ISSAI 100 relating to the fundamental principles of public sector auditing.² This integrative approach of uniting Compliance, Economy, Efficiency and Effectiveness (C+3Es) can (1) create a broad-based audit, (2) provide multi-dimensional reports to stakeholders and (3) lead to SAI efficient resource utilization.



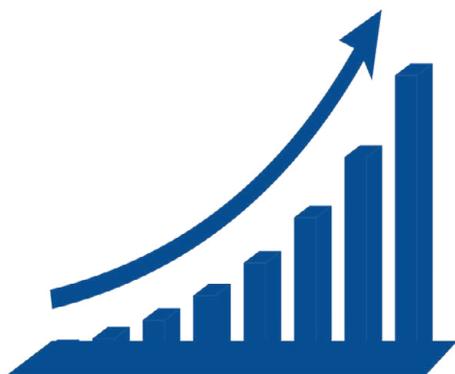
Applying a C+3Es method when auditing training institutions is of particular importance, as it will comprehensively review adherence to regulatory guidance, as well as identify gaps in performance that affect the institution's ability to develop capacity.

Assumptions

To measure performance and return on investment in training personnel, several assumptions are used regarding an employee's pay, cost for training, and how the training establishment distributes learning modules.

An estimated \$50,000 in government funding was spent throughout the employee's career on training, equal to 10% of the total pay received throughout the employee's career (30-35 years of service with career total emoluments of \$1.5 million).³

Training time, when aggregated, equals three years (spanning entire career).



Because this figure represents a significant investment, closer scrutiny is required from multiple angles by all stakeholders, including the employee (as training recipient).

It is assumed the training establishment imparts three 12-week training courses annually, each course having an average enrollment of 40-50 trainees. The entity is 100% funded through public budgetary allocations divided into two main areas: employee-related expenses and organizational operations.

Performing the Audit

The first question the audit team should ask is, "What was the institution's budget for the last three years?" This allows for a stronger understanding of operations and associated risks. The audit team should also examine and analyze historical financial plans of two other academies to better compare budget adequacy and training costs.

Collecting evidence on what (and how) provisions are procured is essential to uncover material instances of operational waste and inefficiency.

The audit should also include interviewing a relatively large representative sample of trainees (both current and past), as well as immediate supervisors. This method will help corroborate audit findings and provide a holistic approach to conclusions.

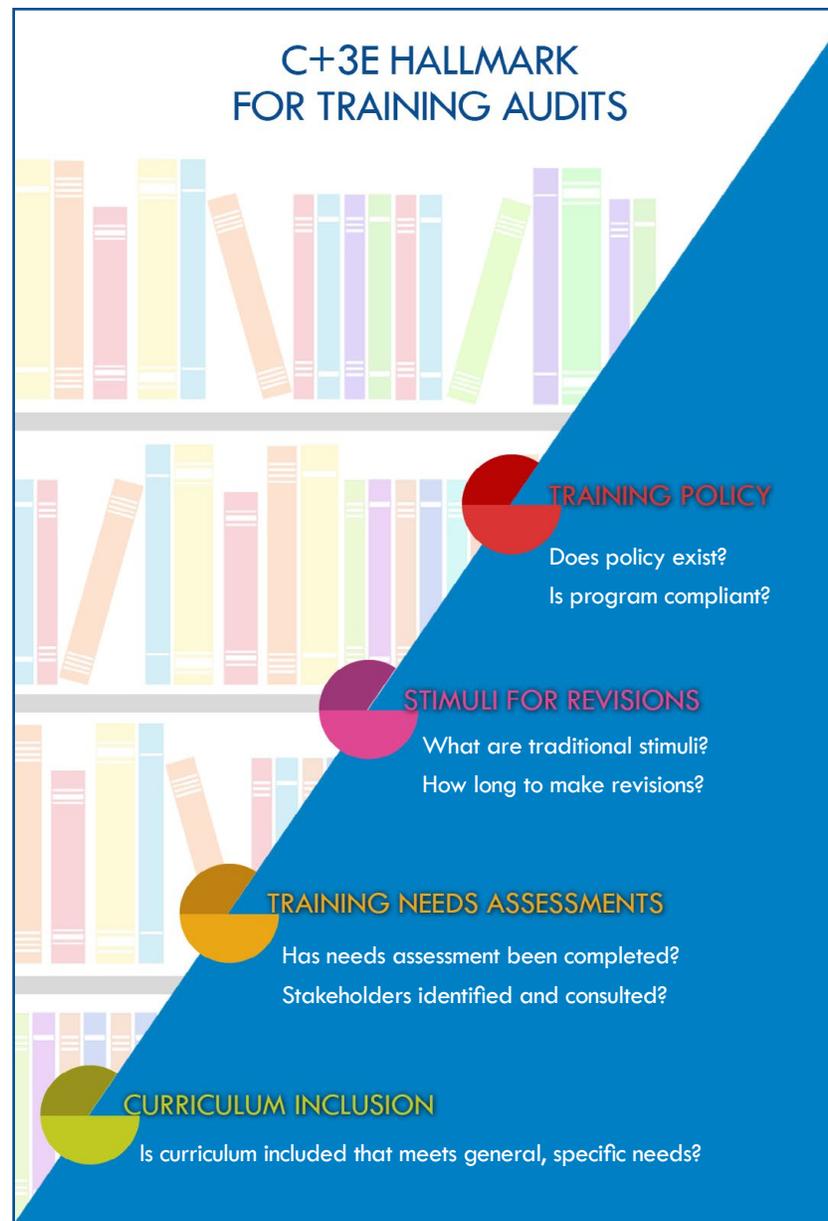
The hallmark of a C+3Es audit of a training institution is assessing training's soft side, including the study of course curricula. In doing so, the audit team should focus on areas, such as:

- Existence of public sector training policy and the degree of training program compliance⁴;
- Traditional stimuli for program revisions and the time it takes for revision completion;
- Formal training needs assessments through stakeholder identification and consultation; and
- Curriculum inclusion of generalized and specific modules (depending upon the training needs assessment).

Training programs having multiple components require auditors to make informed comments on the significance assigned to various parts, as well as adherence to time and cost scheduling.

Clarifying these points is necessary in identifying material gaps, but auditors should not expect resource utilization to be proportionate to assigned content weighting.

For example, auditors may discover that while component x was given 30% weight in module A, the actual cost incurred (in terms of number of hours) remained at 5% total training hours.



Conversely, auditors may note, for instance, that study hours somehow consumed a significant portion of the training budget. Though this data may have no documented relevance to training objectives, reporting such matters are important as they provide a record, and may better explain, patterns of deviations that have actual (and potential) impacts on achieving training objectives.

These reports are expected to make the training establishment more responsible and accountable for its resources, which directly influences the organization's commitment level to deliverables enshrined in Sustainable Development Goal (SDG) 16.

Other factors, such as evaluation criteria used by faculty to rank trainees at regular intervals; core faculty and critical support staff availability; and overall gender makeup⁵ should also be investigated, as these aspects would specifically address SDG targets relating to qualified faculty in educational institutions⁶, which impacts capacity development quality and effectiveness.

The proportion of in-house to outsourced faculty factors to consider include the historical context when sanctioned strength was determined; the training establishment's mandate and clientele at the time; and relevance in the wake of present expectations.

Similarly, prevalent pay scales must be understood, comparisons drawn with similar institutions and evidence collected to highlight potential non-compliance to "equal pay for work of equal value" targets⁷ as outlined in SDG 8.

Ascertaining the adequate availability of training establishments that incorporate special needs facilities and functions help determine adherence to internationally acceptable accessibility standards.⁸ In addition to using this data to assess compliance, these statistics allow for correlating accessibility to productivity and analyzing actual and potential impact on achieving training objectives.

A C+3Es audit approach requires assessing training costs—per individual course, participants in each course, and that of the training establishment. This data could then be linked to criteria on the training program's economy, efficiency and compliance levels.

Of note, calculating training costs can be an intricate process due to a multitude of variables, such as the number of courses, time periods, and amount of trainees in each course. Likewise, the relative importance of various trainings may also create complexities regarding the generic notion of training costs.

While the aspects stressed in this article are not exhaustive, the goal is to gain an appreciation that a compliance ONLY audit may prove inadequate to grasp the diversity of certain public sector establishments. Therefore, augmenting a compliance audit

with the 3Es may provide immense learning opportunities to the SAI and, in the process, raise reporting levels and usefulness for stakeholders.

"Uniting compliance and performance audit objectives (C+3Es) into one audit assignment is covered in ISSAI 100 relating to the fundamental principles of public sector auditing."

References

- ¹SAI Pakistan has statutory mandate to perform all the three types of auditing viz, financial, compliance and performance.
- ²ISSAI 100/23; available at http://www.issai.org/en_us/site-issai/issai-framework/3-fundamental-auditing-principles.htm.
- ³These are rough estimates and are not the result of any research on the subject. The figures are based upon pay regimes generally applicable on such employees. In reality, the total emoluments received may depend upon the pay package adopted, such as a purely monetized regime. The purpose of these figures is to contextualize the importance of expenditure on capacity building with reference to the total benefits received.
- ⁴Training Program (TP) here denotes and includes all curricular and extracurricular activities, scheduling of the TP, matching of available resources with the tasks, etc.
- ⁵Goal 5, Target 5.5.2, available at sustainabledevelopment.un.org/sdg5 (accessed on 9.30.2017).
- ⁶Goal 4, Targets 4.A and 4.C, available at sustainabledevelopment.un.org/sdg4 (accessed on 9.30.2017).
- ⁷Goal 8, Target 8.5, available at sustainabledevelopment.un.org/sdg8 (accessed on 9.30.2017).
- ⁸Goal 4, Target 4.A.1, available at sustainabledevelopment.un.org/sdg4, Target 6.2.1, available at sustainabledevelopment.un.org/sdg6 (accessed on 9.30.2017).

CAPITALIZING ON STANDARDS, KNOWLEDGE SHARING TO AUDIT DISASTER RECOVERY EFFORTS



by Betty Carrion Ruiz, Auditor, Office of the Comptroller General of the Republic of Ecuador

In 2016, a 7.8 magnitude earthquake rocked the Ecuadorian coast, constituting one of the most catastrophic tragedies in the history of the country. The quake left 663 people dead, 6,274 injured, 80,000 people displaced, great damage to infrastructure and more than 2,300 aftershocks in the following months.¹

Consequently, reparation measures cost approximately 3,344 USD million, challenging the response capacity of numerous public institutions, including the Office of the Comptroller General of the Republic of Ecuador—the nation's Supreme Audit Institution (SAI).

Ecuador's government responded to the crisis by immediately declaring a state of emergency and implementing several actions: activating contingency plans, establishing National, Provincial and Cantonal Emergency Operations Committees and creating the Committee for Reconstruction and Productive Reactivation.

The government also enacted the Organic Law of Solidarity and Citizen Co-Responsibility for the Reconstruction and Reactivation of the Affected Areas (Solidarity Law) and required the involvement of various public entities, including the armed forces, Integrated Security Service (ECU911),

Ministry of the Interior, Ministry of Transportation and Public Works, National Police and Secretary of Risk Management.

The Solidarity Law, effective May 2016, established required contributions from citizens to help address the earthquake's aftermath and recovery efforts—an increase in value added tax for one year; an 8-month 3.3% payment from employment wages; a less-than-one percent stipend gathered from equities exceeding one million dollars; existing real property taxation of 3.3%; and a 3% contribution from realized profits.

These funds (along with international aid) allowed for the planning, construction and reconstruction of public and private infrastructure. The monies also promoted productive reactivation by helping implement a wide array of initiatives and making it possible for SAI Ecuador (as the technical body in charge of controlling the use of public resources) to initiate audits of the entities responsible for administering the initiatives.

SAI Ecuador's audits aimed to (1) establish accuracy, veracity and legality of the implemented emergency actions, controls and resources; (2) verify legal and regulatory compliance; (3) examine solidarity collections to ensure funds were allocated accordingly to the affected areas; and (4) determine if resources were distributed to victims in accordance with established legal procedures.

The audit results, featured in 60 reports approved and published by SAI Ecuador, showed that public entities coordinated actions to mitigate and reduce the earthquake's impact—displacement of medical brigades; employment of public works personnel and heavy equipment for the demolition and removal of debris; and the reception, packing, transportation and delivery of humanitarian aid.

Despite positive actions evidenced, weaknesses of great social impact were also identified—using resources for other purposes not associated with the earthquake; shortcomings in the storage and delivery of food kits that prevented timely distribution; and lack of documentation to determine final beneficiaries. Resources were wasted in unnecessary acquisitions, the reception of goods outside contractual terms resulted in fines, customs clearance and delivery processes negatively impacted international humanitarian aid to victims, and there was an overall lack of documentation for monitoring and controlling administrative and financial operations, including current expense payments from Solidarity Law funds.

Additionally, numerous irregularities were discovered, such as contracts having no mandatory clauses of fines and guarantees; a lack of contingency plans for seismic events; absence of insurance policies for emergencies; and a shortage qualified and validated shelters.

SAI Ecuador's findings resulted in the following recommended corrective actions:

- Devise system to ensure donated resources are distributed to correct destinations;
- Reinforce coordination, supervision and control actions to plan, organize and execute natural disaster prevention, rescue and remediation assistance;
- Implement and comply with donation and humanitarian aid provisions associated with proper storage and organization to ensure adequate resource arrival and conservation;
- Issue clear relief aid guidelines so donations can clear customs in the shortest possible time, avoid prolonged periods of storage and ensure timely distribution to victims; and
- Carry out training and simulations on risk management (for public and private servants, educational institutions, as well as the general community).

The International Standard for Supreme Audit Institutions (ISSAI) 5520 on "Audit of Disaster-Related Aid" states

that auditors should know the entire cycle of disaster management, which, in its later phase, includes relief activities and recovery from emergency, rehabilitation and reconstruction. In addition, auditors must understand disaster events require a certain degree of flexibility. This may imply temporary non-compliance with regulations and/or the application of a special legal framework in emergency situations.

ISSAI 5520 also invites auditors to consider initiating audits at an early stage (in real time) to collect evidence in practice and perform a risk assessment that includes: delay, economy, environmental damage, financial statements risk, fraud and corruption, funds, inefficiency and inefficacy, resource and assistance distribution, undesirable recipients, unregistered aid. In Ecuador's case, evaluating these risks allowed auditors to identify weaknesses and irregularities and propose improvement actions to optimize management of future events.

Learning from other SAIs that have dealt with similar issues is also beneficial. The National Audit Office of the People's Republic of China (CNAO), a world leader in disaster control, has implemented strategies to avoid major failures in reconstruction, detecting obstacles, identifying shortfalls in coordinating and managing funds, and proposing timely corrections through constructive recommendations.

Natural disasters cannot be prevented, but some of the potential effects can be minimized. Looking into past events, past practices and learning from the experience of others can help auditors propose improvements related to oversight, help establish new mechanisms to address weaknesses and irregularities, and, ultimately, positively impact the lives of citizens.

References

¹Instituto Nacional de Estadística y Censos (INEC, 2017), Reconstruyendo las Cifras Luego del Sismo Memorias, obtained from: <http://www.ecuadorencifras.gob.ec/documentos/web-inec/Bibliotecas/Libros/Memorias%2013%20abr%202017.pdf>.

²To see the law, please click [here](#).

³ISSAI 5520, Appendix 7.

Notes

SAI Ecuador is still executing control actions related to this event. Important preliminary results are still in the approval process.



APPLYING LESSONS LEARNED TO INCREASE INTEGRITY, TRANSPARENCY

by Lee Yong-taeck, Hwang Jeong-kyeong, Kim Kye-joong,
Board of Audit and Inspection, Republic of Korea

INTRODUCTION

In 2016, Korea spent approximately 25 trillion won on Social Overhead Capital (SOC), which equates to roughly 15% of the central government's budget. The SOC is defined as 46 specified infrastructure projects—roads, railroads, harbors, dams and schools.

These projects, major sources of financial burdens to administrative agencies, have demonstrated, through several studies, overestimated demand forecasts and underestimated costs. In an effort to combat these problems, the Korean government developed the Gateway Budget Management System (GBMS).

The GBMS, implemented in 1999, aimed to verify project feasibility throughout the project's lifecycle; however, recent Board of Audit and Inspection (BAI) audit reports, noted that, despite GBMS use, impractical projects still existed, resulting in a repeated waste of funds.

The BAI conducted inspections on past projects, practices and processes to examine whether or not the GBMS was efficiently operating and whether or not project feasibility risk factors were being well managed.

THE AUDIT APPROACH

Development of Objective Audit Methodologies

The BAI developed a checklist (see Table 1: Checklist Snapshot for Verifying Forecasted Transport Demand) to verify the demand forecasting model at each stage of a project. The checklist's items (29 in total) were derived from scientific investigation analysis methods, including a survey of experts from the Korean Society of Transportation. The approach included the application of the checklist to individual projects along with the use of peer reviews to verify findings.

THE RECOMMENDATIONS

Based on audit findings, the BAI provided clear and detailed recommendations to be implemented throughout the planning and implementation stages (see Table 2 on page 25: BAI Recommendations Regarding the GBMS

CLASSIFICATION	CHECKLIST ITEM	AVERAGE VALUE (RANK)
RELIABILITY OF BASIC INPUT DATA	Are direct and indirect influence areas of analysis properly set up?	4.37 (3)
	Are basic input data clearly specified and accurately used?	3.32 (27)
	Are the basic data, including social, economic indicators and traffic volumes, used as recently updated data?	4.00 (14)
TRIP GENERATION	Are the national plan and regional plan suitably reviewed without any omissions?	4.37 (3)
	Are the population, project period and progress rate of the development plan suitably reviewed?	4.47 (2)
	Are the principles of unchanging traffic volume met, reflecting the development plans?	4.58 (1)
TRIP DISTRIBUTION	Are coefficients and parameters of distribution models suitably inputted?	3.42 (26)
MODE CHOICE	Are coefficients and parameters of mode choice models suitably inputted?	4.32 (6)
	Are there big differences in pattern between the estimated and the observed?	4.26 (9)
	Are the effects on free and discounted rides properly reflected in the guidelines?	3.00 (29)
TRIP ASSIGNMENT	Are peak and non-peak O/D in urban areas used separately as guidelines?	3.47 (25)
	Are the data of observed traffic volume clearly specified and accurately used?	3.79 (19)
	Is the calibration of the trip assignment model properly executed within the error terms of the guidelines?	3.79 (19)
RELIABILITY OF ESTIMATED DEMAND	If there are demand gaps between scenarios after the trip assignment, are they logically explained?	3.89 (17)
	Is the pattern of estimated future demand similar with that of the current demand?	3.89 (17)
	Isn't there a big difference from estimated demand of recent performance around the project site?	3.32 (27)

Table 1: Checklist Snapshot for Verifying Forecasted Transport Demand. *Note: Experts were surveyed on an item's relative importance, which was evaluated using a 5-point scale. The rank (number) is each item's order of importance based on the average value calculated. Source: Lee Yong Taeck and Park Won Bin. "A Study on Developing the Verification Methodology for Demand Forecasting of Transportation Infrastructure." 19th BAI Audit Journal, 2012.

of SOC Projects). These recommendations, which the BAI suggested be applied consistently, included facility sizing, investment prioritization and system downsizing.

Efforts to Manage Systematic Risks

The BAI noted four risk factors (technical, social and economic, political, ethical) causing GBMS error or fallacies and introduced concrete risk management methods to optimally manage these risk factors (see Table 3: Reaction Methods of Risk Factors Causing GBMS Errors or Fallacies).

Efforts to Secure Audit Effectiveness

The BAI has made efforts to secure audit effectiveness by following up on audit recommendations to discover whether audited organizations are executing the requested

measures. If the audited organization has not taken necessary actions, the BAI intends to repeatedly request BAI recommendation compliance.

CONCLUSION

Infeasible SOC projects can lead to an operating deficit, as well as capital cost waste. The BAI's audit approach to more effectively use the GBMS for SOC projects can be summarized as follows:

First, it is important to improve the professional skills of auditors and develop sound audit methodologies, as audit practices require a high level of professionalism. Professionalization also (1) increases audit reliability by enhancing audit acceptance from audited organizations;

STAGE	PROBLEMS	BAI RECOMMENDATIONS
PLANNING	<i>Inspect errors and fallacies of Value for Money (VFM) test, feasibility study and demand forecast of SOC projects.</i>	(1) If a feasible project is not implemented, adjust the facility to a suitable size.
		(2) If an unfeasible project is implemented, reexamine feasibility and adjust project investment priorities.
IMPLEMENTATION	<i>Inspect whether demand forecast and feasibility study of previous stage are secured.</i>	If the estimated demand per stage declines by more than 30% compared to the previous stage, BAI requests project efficiency to be increased after reexamination and verification of demand and VFM.
		(1) In case of projects with low sunk costs (progress rate is less than 20%), suspend projects or downsize system.
		(2) Projects having high sunk costs (progress rate is more than 20%), decrease the amount of equipment purchased.

Table 2: BAI Recommendations Regarding the GBMS of SOC Projects. Source: Lee, Yong Taeck, Hwang Jeong Kyung: "Developing the Risk Management of Gate Keeping Budget Control System on SOC Projects." 122nd BAI Audit Quarterly, 2014.

RISK FACTOR	DESCRIPTION	REACTION METHODS
TECHNICAL	<i>Lack of reliability in input data; inaccurate demand modeling.</i>	Improve the reliability of Korea Transport Database (KTDB); supplement the guidelines.
SOCIAL AND ECONOMIC	<i>Abrupt population decrease; global economy slowdown.</i>	Introduce advanced risk analysis model; Re-verify the feasibility model.
POLITICAL	<i>Public governor pledge.</i>	Reinforce local government's obligation; Reexamine feasibility model.
ETHICAL	<i>Unreasonable official request; Manipulative planning analysis.</i>	Reinforce code of ethics; Regulate service company.

Table 3: Reaction Methods of Risk Factors Causing GBMS Errors or Fallacies.

(2) improves audit transparency by establishing objective audits and inspection methodologies in partnership with external professionals; and (3) develops systematic audit approaches that include joint inspections or peer reviews.

Second, the BAI attempted to provide audited organizations with consistent recommendations and to act as the GBMS project assurance institution. This may require establishing feasibility guidelines; upgrading basic database input; introducing advanced project assurance schemes; and assuring the efficient execution of individual projects.

Third, the BAI attempted to build systematic risk management methods for all risk factors typically causing errors and fallacies. These methods will enable optimum

responses to technical, social and economic, political, and ethical risks.

Finally, the BAI's recommendations are checked and consistently tracked through recommendation management and follow-up audits. The BAI will continue conducting audits based on objective audit techniques and auditor professionalism to ensure integrity and transparency as Korea's GBMS project assurance institution.



PROFESSIONAL STANDARDS COMMITTEE STEERING COMMITTEE MEETS IN LUXEMBOURG

The European Court of Auditors hosted the 15th annual meeting of the International Organization of Supreme Audit Institution's (INTOSAI) Professional Standards Committee Steering Committee (PSC-SC) in Luxembourg in May 2018.

To make the event participative and equip the PSC-SC to effectively fulfill its strategic role to guide the INTOSAI standard-setting process, the annual meeting followed a new dynamic and productive format. Specifically, participants were encouraged to contribute and meeting sessions were structured around themes with each session having a specific objective and expected outputs. The main themes discussed were:

Implementation of the Strategic Development Plan (SDP) for the INTOSAI Framework of Professional Pronouncements (IFPP)

PSC-SC members were presented with SDP project status updates, and there was broad recognition on the SDP's value, as well as the accomplishments of various project groups.

Likewise, lessons learned from implementing the SDP were discussed, and solutions were suggested to help plan the next SDP.

Governance of the Forum for INTOSAI Professional Pronouncements (FIPP)

The FIPP's added value to the standard-setting process was also acknowledged. Participants highlighted the importance for the FIPP to publish its relevant documents and decisions and finalize its working procedures and generated ideas to enhance working relationships between the FIPP and INTOSAI subcommittees and working groups.



A revised Terms of Reference (ToR) for the FIPP was approved, as well as the number of members, which, including the Chair, stands at sixteen. The revised ToR also clarifies member qualifications and the selection process for the FIPP Chair.

Structure and Functioning of Standard Setting

A facilitated discussion on the topic “Why We Do This” included breakout groups that allowed participants to create a vision for the IFPP and establish prioritization criteria for future SDP projects.

Delegates dialogued on important principles, such as independence, transparency and public accountability, and engaged in robust conversations on how INTOSAI standards can best meet these principles and what indicators show INTOSAI is achieving its purpose and goals.

The PSC-SC approved the proposal to create a technical support function for INTOSAI standard-setting activities, with the PSC Chair bearing responsibility for managing this function. The proposal, based on a Proof of Concept paper,

will be revised by the PSC Secretariat based on comments received at the meeting. The updated paper, available [here](#), will be submitted to the INTOSAI Governing Board later this year.

Next SDP

The PSC-SC approved the process to develop the IFPP’s next SDP. There will be a 90 day comment period for the INTOSAI community and stakeholders to make suggestions for future projects. It is proposed that the next SDP last six years with a mid-term revision after three years.

The SDP Planning Process can be found [here](#).

Mr. Rafael Lopes Torres, PSC Project Manager, remarked that the 15th annual PSC-SC was highly effective due to insightful comments during the various sessions and thanked attendees for actively participating. The next PSC-SC Meeting will take place June 5-6, 2019, in Warsaw, Poland.



The International Organization of Supreme Audit Institutions (INTOSAI)-Region Coordination Platform provides INTOSAI with a single point of contact for all INTOSAI organs and regional organizations.

The platform, held annually, provides a forum to coordinate, consult, explore synergies and align INTOSAI efforts to support the successful implementation of the INTOSAI Strategic Plan 2017-2022 and better address the INTOSAI value chain—a concept requiring a great deal of integration among all of INTOSAI.

The Coordination Platform aims to identify, elevate and discuss crucial issues that impact the INTOSAI community. Key to this platform is clarifying the issues from all stakeholder perspectives, as this will provide INTOSAI bodies primarily responsible for each issue with a better sense of how to move forward.

The platform's inaugural meeting in Oslo, Norway, June 25-27, highlighted several INTOSAI-wide topics, programs and initiatives participants collaboratively explored, including:

- INTOSAI's Value Chain: The Need for Broader Coordination and Alignment;

- ISSAI Implementation: Challenges and Opportunities;
- New Strategic Development Plan for the INTOSAI Forum for Professional Pronouncements (IFPP);
- INTOSAI Information Systems, Information Gathering and Information Sharing;
- Professional Education for Supreme Audit Institution (SAI) Auditors;
- Implementation of Quality Assurance of non-IFPP Public Goods;
- Enhancements to the INTOSAI Community Portal and INTOSAI Website Revision;
- Capacity and Funding of INTOSAI Regional Organizations;
- Capacity Strengthening Initiatives—Globally, Regionally and Inter-regionally;
- INTOSAI Risks and Emerging Issues; and
- Regional Representation at the Global Level.

More than 60 delegates and INTOSAI organ executives were on hand to take part in this endeavor—one that is not designed as a decision making forum, but rather as an environment that fosters finding solutions and recommending improvements.



MOTIVATING, EQUIPPING SAIS TO CARRY OUT PEER REVIEWS

"Peer Reviews Uniting the World of INTOSAI."

The slogan on the 2018 Peer Review Conference opening slide was bold and gutsy, but the symbolism was fulfilled—the conference truly united the INTOSAI community as nearly one hundred delegates from 47 INTOSAI member organizations and some twenty participants from the host Supreme Audit Institution (SAI) served as proof.

From June 20-22, 2018, Bratislava, the capital city of the Slovak Republic, became, for a few days, a capital city for the INTOSAI world.

The global conference, marked by the theme "Motivating and Equipping SAIs to Carry Out Peer Reviews," provided a robust agenda that included 19 presentations, along with an engaging round table discussion and several panel-led deliberations.

Mr. Rajiv Mehrishi, the Comptroller and Auditor General of India, cited peer reviews as a proven, established practice within the INTOSAI community, and the number of executed assessments in peer reviews or other evaluation tools are witness to their growing importance.

"Peer reviews are a good way of upholding a SAI's reputation—exposing oneself externally combined with the willingness to change," noted one participant.

In his closing speech, Mr. Karol Mitrík, President, SAI of Slovakia, emphasized, "The SAI of Slovakia needs to be open. We cannot conceal anything, and we must lead by example. Peer reviews help achieve that."

The conference, which was covered heavily on social media, registered several hundred visits and interactions at the event's onset. To learn more about the conference, including event materials, presentations, posters and photos visit <https://www.nku.gov.sk/web/sao/peer-review-conference-2018>. Watch videotaped coverage of the official deliberations at <https://www.youtube.com/channel/UCY0aPaQCSXFa1b-OaHSPDkw>.



OLACEFS, IDI HOST COORDINATED AUDIT CONFERENCE ON SDG5

The Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS), with support from the International Organization of Supreme Audit Institutions (INTOSAI) Development Initiative (IDI), hosted a conference for the Coordinated Audit on SDG 5: Gender Equality.

Participants in the April 2018 event in Buenos Aires, Argentina, included delegates from the Supreme Audit Institutions (SAIs) of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, Uruguay and Venezuela, all of whom satisfactorily completed an e-Learning course on “Performance Audit in Preparation for the Implementation of the Sustainable Development Goals” prior to the event.

Representatives from the United Nations Department of Economic and Social Affairs (UNDESA) and audit entities of Bogotá and Spain also attended.

The meeting’s goal was to support SAIs from the region in carrying out an International Standards of Supreme Audit Institutions-based coordinated performance audit on SDG 5 implementation in national contexts. This audit represents a first response from SAIs in contributing to SDG implementation, follow-up and assessment. By providing independent oversight of government efforts in the early implementation of the goals, the audit also ensures SAIs have a voice and are not left behind.

Issues relating to the 2030 Agenda (SDG 5 in particular) were discussed throughout the conference, and planning matrices were developed to guide audit work. A mentorship session was an event highlight where several senior auditors and UNDESA representatives provided feedback to teams on the implementation of their work. The forum additionally provided a chance to carry out peer reviews that encouraged a rich exchange of experiences.

This initiative, like others carried out by OLACEFS, seeks to significantly contribute to the 2030 Agenda Sustainable Development Goals implementation in our region and strengthen national systems dealing with these issues.

CTPC ASSESSES CITIZEN ENGAGEMENT IMPACT

The Commission for Citizen Engagement (CTPC), an Organization for Latin American and Caribbean Supreme Audit Institutions (OLACEFS) committee, recently released the “Assessment of the Implementation of Impact Indicators for Good Practices in Citizen Engagement of CTPC Members” report.

The report’s study, carried out from 2016-2017, referenced the previously released, “Indicators for Measuring the Impact of Citizen Engagement in OLACEFS Supreme Audit Institutions (SAIs),” which outlined how SAIs and citizens can contribute through audit planning, oversight results, SAI identity and strategy, SAI participation demand, government accountability, public positioning and the SAI institutional image, public service provisions, and fighting against corruption and creating an oversight culture.

Methodology

The assessment involved CTPC SAI members with participation from the citizen engagement, international cooperation, and communications departments. The methodological design used a mixed approach in two stages: (1) a statistical-descriptive analysis using a questionnaire to uncover data availability on citizen engagement practices, and (2) process follow-up through interviews to complement information obtained through the questionnaires.

Key findings

Findings revealed a significant increase in SAI efforts toward institutionalizing citizen engagement mechanisms. However, interviews exposed complexities in implementing these efforts, such as varying national regulations and institutional designs impacting budgets assigned to citizen engagement programs.

Survey results also showed substantial progress in institutionalizing practices, including citizen reporting, SAI response to information requests, providing training to external actors, and incorporating products suggested by civil society. These internal aspects directly impact SAI management by influencing audit planning and SAI identity and strategy. Externally, SAI positioning and establishing a positive institutional image present opportunities to publicize citizen engagement strategies. Although measuring the media impact of civil society programs is not a standard

practice, departments devoted to citizen engagement should work with communication units to strengthen information channels for external stakeholders and the general public, as this would generate trust and credibility.

Assessment results will hopefully facilitate a gradual adoption and prioritization of citizen engagement practices that can continually be measured and improved upon over time.

The full report is available [here](#).

Note: The Office of the Comptroller General of the Republic of Ecuador presided over the report’s preparation, and the study included guidance from Mr. Sebastian Upierrez de Reguero, Associate Professor at Casa Grande University, Guayaquil, Ecuador.



PROFESSIONAL PRONOUNCEMENTS FRAMEWORK MIGRATION UNDERWAY



**INTOSAI
PSC**
Professional
Standards
Committee

The International Organization of Supreme Audit Institutions (INTOSAI) established a new Framework for Professional Pronouncements (IFPP) in 2016 at the XXII INCOSAI. The IFPP

aims to enhance the clarity and credibility of professional pronouncements and further the use and applicability of the International Standards of Supreme Audit Institutions (ISSAIs) as authoritative standards for public sector auditing.

The IFPP also seeks to provide relevant and practical guidelines for Supreme Audit Institutions (SAIs) and public sector auditors.

At the center of the framework is ISSAI 100—Fundamental Principles of Public Sector Auditing, with which all pronouncements should be consistent.

Click [here](#) for the new framework diagram.

The **Strategic Development Plan** (SDP) is the new planning instrument containing the required initiatives to transition from the ISSAI framework into the IFPP. The process follows INTOSAI's due process, which establishes procedures for developing, revising and withdrawing pronouncements.

A large number of existing documents will not need substantive changes; they will simply receive a new number and be renamed according to the new classification principles. Others, as indicated on the SDP project list, are undergoing revisions and may be updated or withdrawn to better fit the new framework. New documents are also being developed to fill identified gaps in the framework.

IFPP pronouncements are grouped in three categories: Principles (INTOSAI-P), Standards (ISSAI) and Guidance (GUID).

INTOSAI's founding principles and ISSAIs that establish high-level prerequisites for the proper functioning and professional conduct of SAIs will now be named INTOSAI PRINCIPLES. These principles have overarching significance for the IFPP, thus they are placed at the top of the framework.

The mandatory requirements SAIs and auditors should apply if wishing to claim ISSAI compliance retained the current nomenclature—INTOSAI STANDARDS.

Documents that provide guidance to support SAIs and auditors in enhancing organizational performance, applying standards and understanding a specific subject matter are now grouped into INTOSAI GUIDANCE.

The IFPP also reserved space for a fourth category designated for future development that relates to competency pronouncements (COMPs), which will establish the competencies and professional skills, knowledge, ethics, values and attitudes required by public sector auditors to undertake audits in line with the ISSAIs.

The expected date for most of the migration process is at the end of 2019 when existing pronouncements will only be available in the IFPP format.

Follow the process and learn more about the transition and new framework on the ISSAI website at www.issai.org and on the INTOSAI PSC YouTube channel [here](#).

MALTA'S SAI UNVEILS #AUDITSMART



*As part of the IDI
SAI Young Leaders Program*

The International Organization of Supreme Audit Institutions (INTOSAI) Development Initiative (IDI) recently launched the Supreme Audit Institution (SAI) Young Leaders (SYL) program geared toward enabling the growth of young leaders and spurring them to contribute toward SAI development through specific initiatives.

As part of the SYL program, Dr. Rebecca Vassallo, Principal Auditor with SAI Malta, is currently undertaking a project designed to establish and integrate data analytics into SAI Malta's audit functions.

Under the supervision of Mr. Keith Mercieca, SAI Malta's Assistant Auditor General, and with senior management support, the project—*#AuditSmart*—will improve audit efficiency, effectiveness and coverage.

Data analytics will be used to augment analysis, allowing for population-wide testing and profiling, smarter non-statistical sampling (when full population testing is not possible), as well as the use of automated and repeatable analytical processes. Envisaged

as a useful tool in audit planning, data analytics will also focus on risk-based areas of interest and anomaly identification, resulting in more meaningful analysis and objective sampling.

A data analytics team has been created, drawing on resources from across the SAI. The team, operating in a functional and decentralized manner, is comprised of analysts who are embedded in each unit. The Maltese National Statistics Office conducted technical training sessions in April 2018, and the data analytics team has commenced planning future audit work that employs data analytics as primary audit techniques.

One planned audit will assess social assistance beneficiary eligibility by compiling corresponding income and asset profiles using multiple government data sources and drawing out inconsistencies. Another audit seeks to flag possible income tax evasion cases by examining motor vehicle registration and licensing. Both audits will:

- Capitalize on the rich data available to government;
- Link data from various sources; and
- Allow for population testing, enabling a more comprehensive and systematic review.

The *#AuditSmart* project also aims to perform exploratory studies with key external stakeholders to assess readiness of the audit environment and identify current data limitations, as well as areas that require active management and long-term intervention from the SAI.

The SYL program is contributing to *#AuditSmart* by imparting relevant theories and best practices on managing and implementing this initiative, sharing experiences and creating networking opportunities with subject matter experts.





SCO FINALIZES PARALLEL AUDIT ON HEALTHCARE

The Accounts Committee for Control over Execution of the Republic of Kazakhstan’s Republican Budget, the nation’s Supreme Audit Institution (SAI), hosted a joint meeting with the National Audit Office of the People’s Republic of China (CNAO) and the Chamber of Accounts of the Kyrgyz Republic (Kyrgyz Republic SAI) in Astana, Kazakhstan, to discuss results of the parallel performance audit on health care for the Shanghai Cooperation Organization (SCO) member states.

The parallel audit objective was twofold: assess the use of public funds for health care and share experiences in conducting a health care audit.

Reports were presented by Mr. Serik Nugerbekov, delegate from SAI Kazakhstan; Mr. Guo Tong, Deputy Director General of the CNAO’s Beijing Municipal Audit Office; and Ms. Aizhan Sadyrkulova, representing the Kyrgyz Republic SAI.

Mr. Nugerbekov noted a range of systemic shortcomings during the performance audit in the Republic of Kazakhstan, including cost system, legal regulation and air ambulance service imperfections.

CNAO’s Mr. Tong informed meeting participants that problems noted while auditing Beijing medical institutions included weak internal controls associated with purchasing medical materials, as well as significant medicine cost differences. Clinical lab purchases and inventory management were also improperly insured, which affected information authenticity serving numerous medical reform policies.

Ms. Sadyrkulova noted an absence of clear priorities in implementing cardiac surgery state policy at the Scientific Research Institute of Heart Surgery and Organ Transplantation in Bishkek, Kyrgyz Republic. She also cited an overall deficiency in approved standards.

The parallel audit results, in general, revealed several problems connected to inadequacies in healthcare law, inefficient spending and planning of allocated budget funds, low-quality accounting of medicines, and a lack of business process organization.

IDI - ASOSAI Workshop for Blended Learning
Specialists Certification Programme
9 - 27 October 2017, Bangkok, Thailand



THAILAND HOSTS IDI, ASOSAI BLENDED LEARNING CERTIFICATION PROGRAM

The State Audit Office (SAO) of the Kingdom of Thailand coordinated and hosted an International Organization of Supreme Audit Institutions (INTOSAI) Development Initiative (IDI) Blended Learning Specialist Certification event October 9-27, 2017.

The program, conducted in cooperation with IDI and the Asian Organization of Supreme Audit Institutions (ASOSAI), took place at the Pathumwan Princess Hotel in Bangkok, where 40 delegates from 12 Supreme Audit Institutions (SAIs) participated.

The attendees, who received prior certifications as IDI eLearning specialists, were trained on the basics of blended learning and IDI's learning methodology.

The program is designed to create a pool of eLearning specialists who can act as resource persons for SAIs, ASOSAI and IDI in designing, developing and delivering blended support to SAIs.

For more information about the Blended Learning Specialists Certification program, visit www.idi.no.





ASOSAI WGEA HOLDS SEMINAR, WORKING MEETING

The State Audit Office of the Kingdom of Thailand hosted the Seventh Seminar on Environmental Auditing in conjunction with the Asian Organization of Supreme Audit Institutions' (ASOSAI) sixth Working Group on Environmental Audit (WGEA) meeting January 29-31, 2018, at Khao Yai National Park, Nakhon Ratchasima, Thailand.

Fifty-seven participants from 24 ASOSAI member-states attended the meeting with active contribution in sharing

national environmental auditing engagements. The event, which included numerous high-level presentations, focused on “Information Technology Applications in Environmental Audit” in an effort to incorporate and enhance the use of data analytics in environmental audits.

During the meeting, a cooperative audit on water environmental protection was approved, and 12 Supreme Audit Institutions (SAIs) have already expressed interest in joining. SAI Thailand has volunteered to spearhead this endeavor.

For more information about ASOSAI and its work in the environmental auditing sector, visit ASOSAI's [website](#).



INTOSAI-DONOR COOPERATION

Uniting INTOSAI + Donors + Supreme Audit Institutions = Success

THE NEED



Supreme Audit Institutions (SAIs) play a critical role in promoting sound financial management and accountable, transparent government. SAIs, largely seen as independent watchdogs acting for the greater good of the people, are well positioned to contribute. Yet, the full potential for SAIs to add value and benefit the lives of citizens is often hampered by a lack of capacity. Helping SAIs cultivate this much-needed capacity is crucial.

THE INSIGHT

CHALLENGES



AUDIT GAPS



TRAINING, DEVELOPMENT



ECONOMIC LIMITATIONS



TRANSPARENCY



LACK OF POLICY, STRATEGIES

SUPPORT



GLOBAL STOCKTAKING



TRAINING PROGRAMS



DONOR FUNDING



RELATIONSHIP BUILDING



SHARED IDEAS, EXPERIENCES

THE ACHIEVEMENTS

CAPACITY IMPROVEMENTS

- Leading by Example
- Enhanced Skills
- Accountability Gaps Closed
- IT Advancements
- Improved Operations
- Strategic Plans Implemented

ENGAGING STAKEHOLDERS

- Improved Transparency
- Greater Accountability
- Enhanced Credibility
- Public Confidence Rising
- Govt Policies, Depts Created
- Audit Reports Debated



The SAI of Sierra Leone has implemented sound strategies and policies that address core processes and organizational structures to include strategic planning resulting in significant results despite limited human and financial resources.

BUILDING CAPACITY, MAKING A DIFFERENCE IN THE LIVES OF CITIZENS

The Cooperation's Work to Unite Donors, Supreme Audit Institutions Leads to Success

Supreme Audit Institutions (SAIs) play a critical role in promoting sound financial management and accountable, transparent government. SAIs, largely seen as independent watchdogs acting for the greater good of the people, are well positioned to contribute. Yet, the full potential for SAIs to add value and benefit the lives of citizens is often hampered by a lack of capacity.

Helping SAIs cultivate this much-needed capacity is crucial, and this is where the INTOSAI-Donor Cooperation (Cooperation) excels. There has been much work and many successes since the Cooperation's inception in 2009; however, communicating the importance of this work, the significance of the SAI mission, and the essential roles that funding and support play can be a challenge.

At the International Organization of Supreme Audit Institutions (INTOSAI) congress in Abu Dhabi, United Arab Emirates, there was much talk of successes...what it is and how it can be achieved. Definitions varied widely, as did the journeys.

When it comes to building capacity, as well as improving and broadening SAI capabilities, success stories take on an entirely new meaning. They inform. They motivate. They inspire. They allow us to see what is possible, particularly when support is united.

Successful outcomes can take time to unfold, as building capacity—that ultimately impacts (and adds value to) the lives of citizens—doesn't happen overnight. Often, it takes years, which is the case for five insightful, impactful, inspirational stories from the SAIs of Bhutan, Sierra Leone, Kiribati, Tuvalu and Macedonia.

All reported from different parts of the world. All bearing a country-level emphasis. All made possible by joint efforts coming together to achieve a common goal. These stories chronicle organizations that—with the support of INTOSAI, its regional organizations, and global donors—were able to

enhance internal capacity that resulted in positive external impacts.

SAI BHUTAN RESPONDS TO EMERGING CHALLENGES

“External support has been instrumental in enhancing the institutional capacity of our audit office,” noted Dasho Tshering Kezang, Auditor General of SAI Bhutan.

The SAI of Bhutan, established as an autonomous public audit body in 1985, has a broad mandate and strong legal framework for enforcing audit recommendations. They are also backed by the nation's constitution that stresses the SAI's importance in conducting performance audits. Despite these significant advantages, performance assessments showed the SAI was experiencing difficulty in conducting audits that (1) meet quality standards expected from the international audit community and (2) make a difference to the lives of citizens.

Upon adopting the International Standards of Supreme Audit Institutions (ISSAI) framework in 2010, SAI Bhutan received assistance through several support mechanisms:

Global Stocktaking. The 2010 Global Stocktaking of SAI community needs and support resulted in the World Bank's funding of the ISSAI Implementation Initiative (3i program), where SAI Bhutan completed Phase 1 in December 2014. The program, implemented by the INTOSAI Development Initiative (IDI), aims to support SAIs in ISSAI implementation. As part of the 3i Program, SAI Bhutan carried out ISSAI compliance assessments to identify gaps and raise awareness.

Global Call for Proposals. Following the Global Call for Proposals in 2011, the Austrian Development Agency (ADA) backed SAI Bhutan's project proposal designed to enhance professionalism in the delivery of audit services. As part of this project, several audit manuals and policies were developed, among them a policy document on auditing from a gender perspective.

SAI PMF Assessment. The Office of the Auditor General of Norway and the INTOSAI-Donor Secretariat conducted a peer review in 2013 using the pilot SAI Performance Measurement Framework (PMF).

SAI Capacity Development Fund (SAI CDF). SAI Bhutan also received support from the SAI CDF, financed by SECO (Switzerland) and administered by the World Bank, to further enhance ISSAI implementation, focusing on improving audit quality in all audit streams.

With support from ADA, SAI Bhutan conducted three pilot audits following the new ISSAI framework. According to the SAI PMF assessment, the pilot audits scored significantly higher than other reviewed audits, illustrating the program's success and SAI Bhutan's performance improvement. The SAI PMF assessment also provided input toward SAI Bhutan's Strategic Plan 2015-2020.

Impacts associated with audit professionalization have extended well beyond the SAI, particularly in the realm of public debt—a key national challenge. SAI Bhutan participated in the IDI public debt auditing program funded by the Norwegian Ministry of Foreign Affairs, and the SAI's 2014 audit report on public debt management, debated extensively in Bhutan's parliament, received positive feedback by Bhutan's Ministry of Finance (MOF).

Based on the audit recommendations, the MOF developed a Public Debt Policy that was put into effect in 2016. It provides both a single overall threshold, as well as sector-specific thresholds for external debt. Shortly after the policy's implementation, the MOF also established a new department of Macroeconomic Affairs, whose mission is to "maintain a sustainable level of public debt."

SAI SIERRA LEONE REINFORCES ACCOUNTABILITY, STRENGTHENS RELATIONS

Sierra Leone's SAI became an operational independent organization in 2004 and faced internal challenges early on. The lack of a strategic plan and audit manuals, low audit coverage, limited human and financial resources, as well as little to no information technology facilities and infrastructure were just some of the obstacles encountered.

Externally, audited public institutions were without basic systems and documentation, further hampering the SAI's ability to perform audits. Parliament was not reviewing audit reports. In fact, audit reports were not published nor were audit recommendations even considered. The SAI's role within the Public Financial Management (PFM) system was weak, particularly given the lack of tools designed to provide oversight regarding the effective utilization of public monies.

Once fully operational, SAI Sierra Leone immediately embarked on implementing comprehensive capacity development programs led by the United Kingdom Department of International Development (DFID). The goal: strengthen SAI institutional and professional capacity and fulfill its mandate within demanding national limitations.

The SAI's picture drastically began to improve in 2016 in part as a result of activities aligned with Cooperation principles.

Strong SAI Leadership. This has distinguished the organization with country stakeholders and development partners, leading to high levels of SAI ownership when planning capacity development.

Long term, scaled-up, harmonized support. DFID backed SAI Sierra Leone through organizational, institutional and professional capacity development technical assistance. DFID's leading role evolved into a facilitative one—supporting SAI-led initiatives in developing guidance and capacity in financial, compliance and performance audits.

Other development partners provided beneficial support, including the African Development Bank; European Commission; and the World Bank, all of which have harmonized efforts in accordance with SAI Sierra Leone's strategic plans and core programs.

SAI PMF Assessments. SAI Sierra Leone underwent two assessments under the SAI Performance Measurement Framework (PMF) in 2012 and 2016. Results show performance progress in addition to areas for improvement.

SAI CDF. The SAI CDF supported strengthening professional capacity.

International participation. The SAI has also benefited from active participation in the international arena, capitalizing on INTOSAI global public goods and regional capacity development programs by the AFROSAI-E region and IDI.

Public Financial Management (PFM) Reforms. PFM reforms have promoted timely and regularly published reports by the Auditor General. The "2014-2017 PFM Strategy of Sierra Leone" incorporates SAI observations.

Comparing SAI Sierra Leone's performance in 2002 to 2016 shows tremendous improvements.

The SAI has implemented sound strategies and policies addressing core audit processes and organizational structures to include strategic planning, professional training and stakeholder management, leading to the delivery of significant results despite limited human and financial resources.

Repeated PEFA assessments indicate the scope, nature and follow-up of external audit has consistently improved since 2007, including a 21% expansion in audit coverage; enhanced quality of financial and compliance audit work; and the establishment of performance audit as an audit area.

Strengthened relations with Public Accounts Committee (PAC) has led to improved parliamentary scrutiny of audit reports; public access to SAI reports; and publicly broadcast PAC hearings.

Budget support development partners extensively use SAI Sierra Leone's outputs to monitor fiduciary risk and incorporate into dialogue with national government.

Making effective use of scarce resources, identifying improvement opportunities, holding the government accountable and promoting transparency are just a few examples of how SAIs can contribute.

Sierra Leone's SAI impact includes the office's prompt audit on the 2015 Ebola Management of Resources. The report on mismanagement and corruption in the use of Ebola aid funds allowed for strong debates among stakeholders and resulted in increased pressure for accountability.

"We have embraced the sustained support given by our development partners and harmonization development programs with our strategic plans. We hope the intense development assistance can continue until we can make an impact based on our own sustainable capabilities." —Mrs. Lara Taylor-Pearce, Sierra Leone Auditor General.

SAIS OF KIRIBATI AND TUVALU CLOSE ACCOUNTABILITY GAP WITH REGIONAL COLLABORATION

Several smaller island nations in the Pacific, including the SAIs of Kiribati and Tuvalu, have limited auditing capabilities. As of 2009, both SAIs were not completing timely audits. They had hefty audit backlogs and struggled to keep up with changes to international financial reporting standards.

The lack of human resources was a primary challenge. The untimely audit of the government's accounts entailed reduced accountability for the use of public funds in Kiribati and Tuvalu, as the Parliaments and the citizens did not receive assurance that funds were spent as intended.

The Pacific Association of Supreme Audit Institutions (PASAI), an INTOSAI regional organization, designed a Sub-regional Audit Support Program (SAS) specifically to help some of the smaller, and most vulnerable, SAIs that were facing similar challenges with staff capabilities, audit methodologies and systems. The program was linked to PASAI's strategic plan and its work program, the Pacific Regional Audit Initiative (PRAI).

The SAS program, operational from 2009 to 2016, supporting SAI capacity building in Kiribati and Tuvalu by helping them complete financial audits, train SAI personnel and improve information sharing. This effort was made possible by a team of secondees from each participating country and supported by consultants who, using updated auditing standards, assisted in auditing public accounts.

The Asian Development Bank, through the Japan Fund for Poverty Reduction, financed the SAS program. Additionally, the Australian Department of Foreign Affairs and Trade and the New Zealand Ministry of Foreign Affairs and Trade have been the primary funders of the PASAI Secretariat, which has helped implement the program.

Through the SAS program, staff competency, confidence and experience have significantly increased.

SAI Kiribati is now up-to-date with the whole of government audits, and Tuvalu's SAI has audited all financial statements submitted, including the whole of government financial statement for 2015.

The timely completion of the whole of government audits has positively contributed to the availability of current and reliable financial information for the respective governments in preparing budgets and in formulating relevant policies, which will benefit citizens.

The results in PASAI were possible with donor backing aligned behind PRAI and PASAI's strategic plan, leading to well-coordinated support to all SAIs in the region.

PASAI's regional approach to capacity development has enabled scarce resources to be utilized in an effective way, as synergies have been realized and peer SAIs have worked together to improve performance at the country level. The approach included staff training and development, sharing resources regionally, and aligning policies to strengthen national capacities.

On the basis of the same regional approach, the INTOSAI-Donor and PASAI secretariats have designed a program for measuring performance directly connected with PASAI's regional priorities. Financed by the Australian Department of Foreign Affairs and Trade, this newly developed initiative facilitates SAI Performance Measurement Framework (SAI PMF) assessments for numerous smaller SAIs throughout the Pacific region. Using a combination of self-assessments and peer reviews, the goal is to effectively address the challenges associated with staff and skill limitations.

Ms. Matereta Raiman, Kiribati's Auditor General, noted, "During the course of the SAS program, the staff were able to pass on skills to other staff."

SUPPORT COORDINATION, HARMONIZATION LEAD TO SUSTAINABLE TECHNOLOGY FOR SAI MACEDONIA

Information technology is important in providing quality audit work, and the Macedonian SAI made the creation and implementation of an Audit Management System (AMS) a top priority. SAI Macedonia seized the opportunity to seek assistance with making this project a reality through the 2011 Global Call for Proposals.

The Norwegian Ministry of Foreign Affairs expressed interest in supporting the SAI to ensure sustainable Information Technology (IT) capacities and promote good governance. The Office of the Auditor General of Norway (OAGN) offered technical assistance to implement the project, and, in September 2012, SAI Macedonia and OAGN signed a Memorandum of Understanding that marked the beginning of a five-year cooperation.

The overall project objective was to improve the quality of SAI Macedonia's audit processes, and the AMS would do this through standardization, unifying documentation and ensuring information security and confidentiality. The AMS would also increase efficiency by reducing time associated with documenting and reviewing audit papers, leading to a rise in productivity. Advancing SAI Macedonia's audit quality and productivity means improving the professional and efficient management of taxpayer money, as well as public sector financial discipline and accountability.

SAI Macedonia formed a core team of IT specialists and staff members representing different departments. Auditors were included as subject matter experts in the mapping audit processes and creating audit flows.

A strong commitment and steadfast support from management, led to the timely and successful completion of project tasks, which included a draft feasibility study, upgrade to IT infrastructure, IT security policy development and implementation, creation of daily operational, maintenance and technical procedures, pilot audit implementation using AMS, and the design of a training program to use and maintain AMS.

AMS was put into operation as part of SAI Macedonia's 2017 Annual Work Program. AMS is much more than a

document management and audit workflow system—it is a knowledge sharing tool providing guidance to auditors throughout the entire audit process. Auditors' input on applying and using AMS will be used to adjust and continuously improve the system.

"The selfless support and professional guidance from OAGN colleagues, who were with us through the process, along with the backing of the Norwegian Ministry of Foreign Affairs, made this project a reality."—SAI Macedonia.



ABOUT THE INTOSAI-DONOR COOPERATION

To learn more about the INTOSAI-Donor Cooperation, please visit our website at <http://intosaidonor.org>. Our contacts can be found on the "Contact Us" page.

THE DONORS

- International Organization of Supreme Audit Institutions*
- African Development Bank*
- Asian Development Bank*
- Australia*
- Austria*
- Belgium*
- Canada*
- European Commission*
- France*
- Global Alliance for Vaccines and Immunizations*
- Inter-American Development Bank*
- International Fund for Agricultural Development*
- International Monetary Fund*
- Ireland*
- Islamic Development Bank*
- Netherlands*
- Norway*
- Organisation for Economic Co-operation and Development*
- Sweden*
- Switzerland*
- The Global Fund*
- United Kingdom*
- United States of America*
- World Bank*



SAIS OPERATING IN CHALLENGING CONTEXTS SHARE INSIGHT, IDEAS

by Oskar Karneback, Workstream Leader, INTOSAI CBC Workstream in Support of SAIs in Fragile Situations

The International Organization of Supreme Audit Institution's (INTOSAI) Capacity Building Committee (CBC) workstream dedicated to supporting Supreme Audit Institutions (SAIs) operating in particularly challenging contexts recently organized a forum in Johannesburg, South Africa. Seven Auditors General (AG) who currently lead SAIs with experience working in such contexts met alongside workstream members and delegates from the Organization of English-Speaking African Supreme Audit Institutions (AFROSAI-E).

The forum included interactive practical exercises and discussions in an open environment allowing participants to discuss various challenges, share concrete examples and identify areas for future exploration.

Forum topics were based on "State Building in Fragile Situations," a workstream paper authored by Mr. David Goldsworthy and Ms. Silvia Stefanoni that examines the role of SAIs and international partners. The forum, hosted by SAI South Africa, focused on a few guiding questions:

- What are the challenges for SAIs in fragile contexts?
- How can these challenges be overcome?
- In what ways can SAIs support each other to fulfill mandates, become stronger institutions and contribute to state building?

Concepts and Definitions

Fragility is a contested concept. At the forum, a number of SAIs felt discomfort in subscribing to the term "fragile." The workstream's point of departure is that the situation in which the SAI operates is, by no means, a description of the SAI itself.

The workstream aligns to vocabulary used across the international development community where entities, such as the Organisation for Economic Co-operation and Development (OECD), United Nations (UN) and World Bank all use "fragile" to describe conditions that make for particularly challenging circumstances in developing countries. Traditionally, the donor community has defined fragility in terms of instability (political settlements or

control of violence), but it is useful to apply the broader definition proposed by the OECD that includes economic, societal and environmental fragility.

For SAIs, fragile situations may encompass different factors—from a lack of trained staff to difficulties in following an audit trail. One reflection from the forum is that challenges for SAIs in situations of fragility are similar to those that other SAIs face; however, a fragile situation may make it more difficult to address (and find a solution to) an undesired situation. Additionally, some SAIs may face numerous aspects of fragility simultaneously, resulting in an even greater challenge.

A longer discussion on fragility can be found in the workstream's [terms of reference](#).

Potential Sources of Help, Opportunities

When professional and committed AGs come together to discuss situations, something extraordinary happens! It was rewarding to hear the iterative and sincere exchanges between executive leaders in the highest positions. They seized this opportunity to learn from each other and to understand the reasons for, and the outcomes of, specific actions.

Some of the important topics discussed include:

- Recruiting and retaining professional staff;
- Advancing staff skills to deliver on mandates;
- Improving audit quality; and
- Implementing International Standards of Supreme Audit Institutions (ISSAIs) in an environment not necessarily conducive.

Scenario-driven deliberations included a focus on the potential need for additional INTOSAI guidance for SAIs in particularly challenging contexts. What if an extraordinary incident (natural disaster, political turbulence) made the audit trail disappear? Would INTOSAI guidance help SAIs navigate how to proceed? Generally speaking, the answer was, "Yes."

ISSAIs. Many delegates suggested applying ISSAIs, which point to disclaiming an opinion if one cannot be issued. Most participants felt there was no need for additional INTOSAI guidance, as adopted ISSAIs provide for such situations.

Regional Bodies. SAI representatives at the forum also expressed turning to AFROSAI-E, that, as a regional

organization, could provide appropriate and relevant assistance.

Professional Pronouncements. For SAIs who are unable to find support from a regional organization, participants cited contextually appropriate INTOSAI professional pronouncements may also be helpful.

Knowledge, Experience Sharing. Increasing engagements with neighboring and regional SAIs was also mentioned, as such similar environments increase the likelihood that SAIs can better compare experiences.

Donor Support. SAIs could contribute more constructively to state building by providing more detailed information on subjects where it is not possible to issue an opinion due to insufficient documentation. Doing so provides SAI relevance by illustrating strong leadership, professional commitment and demonstrating efforts to increase audit quality. A strong external audit is often a crucial component for donors, who try to channel funds using the country system.

Future Work

In good environments, good ideas are born, and the forum truly generated a number of innovative and exciting suggestions for moving forward—the forum, as well as the workstream. Participants also suggested additional collaborative arenas to exchange mutual experiences, including webinars focusing on fragility-related topics. These sessions could then be supplemented with online discussions.

An initiative gaining ground, and one in which many can, and should, contribute, is the compilation of “success stories” that highlight good practices in overcoming challenges. Within the workstream, the SAI of Liberia and the INTOSAI Development Initiative (IDI) are currently collecting practical examples of such successes.

The inaugural forum's positive outcomes have prompted the workstream to develop additional interactive opportunities between the members. To enrich discussions, the workstream welcomes more SAIs to connect to current efforts on SAIs in particularly challenging situations. Learn more by visiting the workstream's website at www.intosaicbc.org/sais-in-fragile-situations/.



INTERNATIONAL JOURNAL

— OF GOVERNMENT AUDITING —

Visit us online: intosaijournal.org

Like us on facebook: facebook.com/intosaijournal

Follow us on twitter: twitter.com/intosaijournal

Follow us on instagram: instagram.com/intosaijournal