

# Dealing With An Interconnected World

By Saskia J. Stuiveling, President, Court of Audit, The Netherlands

Without any doubt, Supreme Audit Institutions (SAIs) will have to cope with the “e-fication” of the globe in the near future. Mixed messages about the pace of e-development, about commercial success and disaster at the same time, e-confusion in my own mind as to what are the important signals and what are not, and what to make of it for my own SAI—these triggered some re-reflections that I would like to share with you. They are but first thoughts as, in this area, all of us are like Columbus setting foot in totally new territory.

*Mrs. Saskia J. Stuiveling*

## The Brick Story and More

Before turning to modern technologies, I would like to give an example of a very old, though still modern, technology: manufacturing bricks. Going back to the year 5000 BC, people built their houses from the wood, clay, and stones they found in their surroundings. In the Mesopotamia River valley, however, this soon caused a problem because not enough wood and stones were available. Making use of the products of the wet, muddy grounds, the people of Mesopotamia used clay, mud, and cane to build their houses. From these ingredients they made pieces of clay by hand and let them dry in the sun. At first, the pieces were big and irregular, imitating natural stones; after a while, the pieces became more regular in form because these dried quicker. About 4000 BC, people started to use wooden molds to form the “stones,” or bricks. It was, however, not until 3200 BC that the bricks were baked in kilns.

The brick story tells us that although the technology was available throughout that period of time, it took 1,800 years to evolve from a natural stone through an imitation stage to a real new product: baked brick. The defining factor: human mindset.

## Similar Examples From Modern Times

The first example is a Christmas card story from our audit office. In 1999, we decided to go along with the times and, in honor of the new millennium, be modern and innovative by replacing most of our printed Christmas cards sent by post with virtual Christmas cards sent through the Internet. So a virtual card was designed along with a printed card. For Christmas 1999/2000, we sent 400 virtual and 1,400 printed cards. Clearly, our goal of replacement was not attained. We had a good excuse, though—we had decided too late to collect all the e-mail addresses we needed. So, in good faith, we tried

again for 2000/2001. We sent 1,200 e-mails and 1,400 printed cards. Again, our goal was not attained. Although we had all the means available, somehow we did not succeed in accomplishing a task that should not have been so difficult. Human mindset.

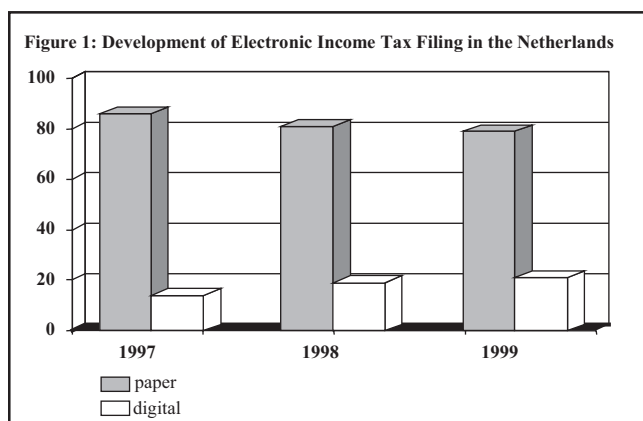
The second example comes from the United Kingdom, where the government set challenging targets for the introduction of e-commerce for public services. The goal was to increase electronic purchasing by 90 percent in 2001. In 1999, however, less than 1 percent of orders for goods and services on “G-CAT”, the government’s catalogue of IT products, were placed electronically. From a colleague, I understand that this purchasing was done not by Internet, but by phone. Human mindset.

The last example is again a Dutch example. Since 1997, the Dutch Tax Authority has offered taxpayers the option of filing income tax over the Internet. As shown in figure 1, in 1997, about 15 percent of all income tax filing was electronic; in 1998, it was about 18 percent; and in 1999, about 20 percent. Human mindset.

All three examples show us the same lesson as the brick story: Although technological means are available, emotional, intellectual, cultural, or organizational factors actually set the pace. New technology adds a new possibility to existing possibilities but does not necessarily replace them. Moreover, the rate of substitution is far slower than one would expect.

The pace for embedding IT developments in daily life seems to go along the same lines. Nowadays, everybody talks about e-commerce, e-government, e-budgeting, cyber money laundering, electronic fund transfers, e-taxes, etc. Do they replace what we have, or do they in this stage merely add a new possibility without, so far, large scale substitution (and hence some commercial disasters)?

Classical tasks merge with e-development under a lot of e-terms: they may look modern but may not be as new as they pretend. One thing, though, is sure: all those “e”-terms create a lot of e-confusion.



## E-development, Globalization and the Impact on Government

The Internet is not restricted by national frontiers—it is global. Although globalization processes have existed for centuries, it goes without saying that the developments in IT have hastened globalization, the integration of the markets for goods, services, capital, and labor—and the integration of the information about those markets. Within this general trend, the impact on government varies with the role of government under observation.

Governments have a double role to play in relation to IT developments. First, governments are users of IT. Surfing on the Internet, one can find many governments offering their services, called e-government. By offering services and publishing their products on the Internet, governments become more transparent to their citizens.

Current literature already offers a development path on the use of the Internet for all kinds of services, including government services. The Internet is used first as a means of publication and then for information exchange. After a while, it becomes the exclusive means of communication, and the next step is the integration of front office and back office. Finally, the Internet overtakes everything: a complete e-transaction.

In my view, e-development can strengthen governments in this first role as a user of IT. For example, through national and international knowledge sharing of best practices, governments can offer their citizens better services; their citizens will be well informed, sparking government improvement and local pride in their government's accomplishments compared to others.

The second role of the government is that of regulator, ruler, and protector. In this role, IT may actually weaken the role of government. Globalization increases demands for international cooperation on transnational issues, both positive and negative in nature. On the negative side, globalization supports organized crime, trafficking of arms and people, money laundering, flash capital, and other deleterious activities. Governments still are not able to control these negative consequences of globalization. To do so would require a level of international cooperation that is difficult to attain, certainly at the same speed as cooperation within a nation! It has become painfully clear that international decision-making processes are not designed for speed. Therefore, in my view, globalization in the coming years will potentially weaken governments in its role as regulator, ruler, and protector. Interpol figures show, for example, that 10 percent of all crime is transnational, and the expectation is that this percentage will grow dramatically. In an interview for Dutch television, Mr. Pino Arlacchi, Head of the Anti-Crime Unit of the United Nations, said that he sees three dangerous developments: the further globalization of organized crime; the sophistication of the mechanisms for money laundering; and the increasing instability of all countries through the combined actions of organized crime, political corruption, and money laundering.

There have been, however, some positive developments. In December 2000, about 40 governments met in Palermo, Italy, for a UN conference on crime. The conferees agreed to criminalize

under their national laws four types of offenses: participation in an organized criminal group, money laundering, corruption, and obstruction of justice. The following table summarizes the role and potential effect of e-government in globalization.

Table 1: Globalization of E-Government	
Role of E-Government	Effect of E-Government
government as a <i>user</i>	Potential <i>strengthening</i> of government
government as <i>regulator, ruler and protector</i>	Potential <i>weakening</i> of government


## Role of SAIs in E-Government

In general, SAIs control the effectiveness of their own governments. But if globalization 'forces' governments to cooperate internationally, SAIs cannot afford to stay behind. They must be active participants in that process. The role of SAIs in IT developments depends upon the government's role. SAIs are already well acquainted with the role of governments as users of IT. They audit government use of IT and urge governments to use it more. Internationally, SAIs exchange information and experiences through such venues as the INTOSAI Standing Committee on EDP Auditing.

However, the SAIs' contribution to the government's role as a regulator and ruler of IT developments and protector of its citizens is less clear. SAIs have not yet taken a clear position on this. In my opinion, SAIs should support their governments in executing their difficult task of globalization. But, in order to be such a supporter, they need to be global players themselves—they need to be seen and to identify themselves with a globally recognized name.

At present, this presents a problem. I often encounter, in my own country as well as abroad, people who do not know what the term "Supreme Audit Institution" stands for. At home, we notice this ignorance when young people pass us by when looking for a job. Often it seems that SAIs maneuver in their own small world, almost afraid to look over the walls of their self-enforced "prison."

Attaining a global name for SAIs implies a global promise of what we stand for. SAIs have to make clear how they do what they do, internally and externally. Globalization implies that SAIs (and their organizations, such as INTOSAI and its regional working groups) have to make themselves visible through global communication—names, logos, words, images, and products. To accomplish this, our own international decision-making processes may need some redesigning as well to allow for quality and speed.

(**Editor's Note:** The author wishes to acknowledge the contributions of Bernadette Schomaker to this editorial ). 

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# News in Brief

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## Barbados

### Annual Report

The Barbados Audit Office submitted its Annual Report to Parliament for the year 2000 on December 29, 2000. The Report consisted primarily of findings arising out of the audit examination of the financial statements and accounts of Government ministries and departments.

The Report made reference to errors observed in the financial statements of the Accountant General, the problems associated with identifying and correcting these errors, and the need to strengthen the internal audit capabilities of the department.

The Report addressed the issue of several accounting entities failing to reconcile their accounts with the records of the Accountant General. This failure resulted in several posting errors remaining undetected and inaccurate statements being prepared and submitted.

There was a failure by several accounting officers to submit appropriation accounts within the stipulated time as provided for in the relevant laws. This failure impacted on the ability of the Auditor General to complete audits in a timely manner and to certify the accounts.

The Report highlighted several issues of non-compliance and weaknesses in internal control relating to ministries and departments. These included failure to prepare and submit statements of arrears of revenue, failure to reconcile bank accounts, poor management of contracts in terms of ensuring that the contractual obligations as specified are met by the contractors before payments are made and deficiencies in maintaining fixed assets records.

## Canada

### New Auditor General

Mrs. Sheila Fraser was appointed Auditor General of Canada on 31 May 2001. She has been interim Auditor General since 29 March 2001, when Denis Desautels completed his 10-year term.

Mrs. Fraser was born on 16 September 1950. She earned a Bachelor of Commerce degree from McGill University in 1972, became a chartered accountant in 1974, and an FCA in 1994.

*Mrs. Sheila Fraser*

In January 1999, Mrs. Fraser joined the Office of the Auditor General as Deputy Auditor General, Audit Operations. She has played a key role in the Office's strategic planning, policy and program development, resource allocation, and other senior management activities. She was responsible for reviewing audit findings to ascertain the nature and extent of problems in the audited organizations and bring them to the Auditor General's attention. She was also responsible for signing, on the Auditor General's behalf, opinions on the financial statements of Crown corporations and other separate entities.

Before joining the Office, Mrs. Fraser enjoyed a fruitful and challenging career with the firm of Ernst & Young, where

she became a partner in 1981. In the Quebec City office, she was responsible for a wide range of private and public sector clients. She participated in several assignments with the Auditor General of Quebec, as well as with several departments of the Government of Quebec.

Mrs. Fraser has always been active in her profession, at both the provincial and national levels. For her noteworthy service to the auditing and accounting professions, she was awarded the Prix Émérite 1993 and the designation "Fellow" by the Ordre des comptables agréés du Québec in 1994 and by the Institute of Chartered Accountants of Ontario in 2000. She is also a recipient of the Governor General's medal commemorating Canada's 125th anniversary and a member of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

### Former Auditor General Issues Report on a Decade of Serving Parliament

In February 2001, then-Auditor General of Canada Denis Desautels issued his final report to the Parliament, entitled *Reflections on a Decade of Serving Parliament*. In this report, Mr. Desautels discusses progress made in addressing the priorities that shaped his 10-year tenure as Auditor General: the debt and deficit; the state of the public service; the changing structure of government; management accountability and Parliament; the environment and sustainable development; and the delivery of service to Canadians (especially the performance of taxation programs and First Nations issues). He concludes, "The challenges still confronting management in the federal government can be summarized easily: continuous review of programs, meaningful accountability, and improved financial and human resource management. I encourage the government—and the next Auditor General—to keep these issues at the forefront when they set their priorities." The report is available electronically at [www.oag-bvg.gc.ca](http://www.oag-bvg.gc.ca). For paper copies of the report or other OAG publications,

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please contact Office of the Auditor General of Canada, 240 Sparks Street, Stop 10-1, Ottawa, ON K1A 0G6, Canada, e-mail: E-mail: [distribution@oag-bvg.gc.ca](mailto:distribution@oag-bvg.gc.ca).

## Nepal

### Updated Auditing Guide Published

The Office of the Auditor General of the Kingdom of Nepal has recently published an updated version of its *Performance Auditing Guide*, which had originally been developed and adopted in 1995. The new guide deals with selection of audit issues; audit planning, acceptance, and execution; reporting; documentation; quality review; and follow-up. The updated guide was field tested during the performance audit of three pilot projects and revised based on the feedback received. The World Bank provided technical assistance for developing the updated guide.

### Nepal-India Joint Training Programs

The Office of the Auditor General of Nepal organized the third and fourth phases of Nepal-India Joint Audit Training Programs in Katmandu from July 17-August 18, 2000, and April 3-13, 2001, respectively. The Rt. Honorable Auditor General of the Kingdom of Nepal, Mr. Bishnu Bahadur K. C., inaugurated both the programs, which gave participants the opportunity to share ideas, discuss India's experience in different issues of auditing, and enhance their auditing capabilities.

Thirty-five participants attended the third phase of the Joint Audit Training Program, a 4-week session for audit officers and superintendents. This phase covered auditing standards, audits of public works and procurement, and audits of receipts and the central account. The faculty members were four senior officers of the Office of the Comptroller and Auditor General of India—Ms. Revathy Iyer and Mr. P. K. Jena, Principal Directors, and Ms. Mahua Pal and Mr. Alok Ojha, Directors.

Eleven assistant auditors general and 24 directors attended the fourth phase of the training program. This 2-week session covered auditing standards; fraud audits; audits of donor-funded projects; audits of receipts; and, and audit

issues related to taxation and corporate sector auditing. Guest lecturers at this session included Mr. P. K. Mukhopadhyay and Mr. Mukuseh Arya, and other senior government officials and the project manager of donor-funded projects.

For further information, please contact Office of the Auditor General, Babar Mahal, Katmandu, Nepal, email: [Oagnp@mail.com.np](mailto:Oagnp@mail.com.np).

## Philippines

### New Chairman of Commission on Audit Assumes Office

On February 19, 2001, Guillermo N. Carague became the sixth Chairman of the Commission on Audit and the 12<sup>th</sup> head of the supreme audit institution of the Philippines since the commonwealth government was inaugurated in 1935.

Chairman Carague brings with him extensive management experience in private practice and government service in the areas of fiscal management and financial institutions. He is a lawyer and a certified public accountant. Before entering government service he was an active partner in the accounting and management consultancy firm of SyCip, Gorres Velayo and Company (SGV) and Arthur Andersen, handling engagements for the government, private companies, and multinational institutions, such as the World Bank and the Asian Development Bank. He has extensive experience in project development, financial management, organizational and institutional development, strategic and long-term planning, information systems management, and personnel benefit programs. Chairman Carague has also served in various government posts. He was Under Secretary and subsequently Secretary of the Department of Budget and Management from 1986 to 1992. He served as Member of the Board of Liquidators and the Monetary Board of the Central Bank of the Philippines from 1993 to 1999.

He has also chaired various government boards, councils, and interagency committees, such as the Development Budget Coordinating Committee, National Economic Development Administration (NEDA),

Open Market Committee, Central Bank of the Philippines, Government Productivity Improvement Council, Financial Management Information System, Committee for Local Government Units, Committee for State Universities and Colleges, and Cabinet Action Committee on Decentralization.

Chairman Carague has also been a special lecturer at the University of the Philippines' Institute of Small Scale Industries and Law Center and a faculty member of the University of the East.

For further information, please contact Commission on Audit, Com-monwealth Avenue, Constitution Hill, Quezon City, Philippines, e-mail: [Catli@pacific.net.ph](mailto:Catli@pacific.net.ph).

## Switzerland

### 2000 Annual Report Issued

The 2000 Annual Report of the Swiss Federal Audit Office (SFAO) highlighted the fact that too little attention is paid to the importance of effective internal audit systems when conducting audits. While these systems cannot prevent fraudulent actions or the uneconomical and inappropriate use of resources, they can significantly reduce the risks of such occurrences.

The report also stated that a significant pending audit issue related to the Federal Pension Fund from previous years had been resolved. As a result, Parliament will be able to approve the annual accounts without reservation for the first time in 10 years.

Also, the SFAO did not wish to wait until the completion of audit procedures before reporting a matter concerning the embezzlement from the Federal Institute of Technology, Zurich, and excessive federal contributions in asylum affairs. The SFAO informed the relevant authorities of these matters and provided a report to the Joint Committee of Finance of the Swiss Parliament, the relevant heads of department, and the head of the federal Department of Finance.

The SFAO has established working groups to assess joint tasks with cantonal audit offices according to a set of uniform criteria. In accordance with its right to exercise leadership in financial supervision of public administration, it will not only involve itself in the training of finance

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inspectories and financial auditors, but also conduct tasks in special organizations, institutes of further education, and international events.

Internationally, the annual report notes that the SFAO maintains regular contact with foreign audit offices and participates in a targeted exchange of experiences with the audit offices of Austria, Germany, France, the U.K. and the Netherlands.

The continuing modernization of administration and the introduction of modern management tools require ongoing development in financial audit practices. The SFAO must make further efforts to close loopholes in auditing and make operational efficiency audits a cornerstone of its audit activities. Developing audit approaches and methods also presents an additional challenge for the SFAO that can only be met by qualified personnel. The SFAO's goal is to present itself in the job market as an attractive employer able to offer challenging positions.

For further Information, please contact Kurt Grüter, Director, SFAO, Bundesgasse, 3003 Bern, Switzerland, email: [Sekretariat@efk.admin.ch](mailto:Sekretariat@efk.admin.ch)

## European Union

### Implementing Guidelines for INTOSAI Auditing Standards Available in Russian and Arabic

The European implementing guidelines for the INTOSAI auditing standards have been translated into all the official European Union (EU) languages as well as a number of Central and Eastern European languages and are available on the European Court of Auditors' (ECA) website (<http://www.eca.eu.int>). Most recently, the guidelines have been translated into Russian and Arabic, making them available to a larger number of INTOSAI members.

The guidelines set out a common technical base that all EU SAIs may adopt within the framework of their respective auditing methods, if they so wish. As a whole, the guidelines broadly represent the main features of all the public auditing traditions and organizational structures that exist within the European Union. Some of the EU member states' SAIs apply


audit approaches that are based on national auditing standards that do not immediately appear to follow the INTOSAI standards. These national auditing standards are, in turn, often closely related to the International Standards on Auditing issued by the International Federation of Accountants (IFAC). Therefore, the working party took note of a comparative study of INTOSAI and IFAC standards that the ECA had carried out. That study found that while the two sets of standards differ in their levels of detail and terminology, these differences have no material impact on the underlying audit methodologies. Thus, the working party concluded that all EU SAIs could use the European implementing guidelines.

Many developments are currently taking place within the EU that will affect public sector auditing and the environment in which it is carried out. Perhaps the most significant are the steps that have been taken towards enlarging the EU and, in particular, the preparations for membership in the Central and Eastern European countries and the Commonwealth of Independent States. The implementing guidelines have a significant role to play in helping the SAIs of these countries prepare for membership in the EU.

For further information, please contact the Director, External Relations and Legal Service, European Court of Auditors, 12 rue Alcide De Gasperi, L-1615 Luxembourg, tel.: +352 4398 45812 or 45410, fax.: +352 4398 46812 or 46430, e-mail: [chris.kok@eca.eu.int](mailto:chris.kok@eca.eu.int), internet: [www.eca.eu.int](http://www.eca.eu.int).

## International Consortium on Governmental Financial Management

### Annual International Conference

*On April 2-6, 2001, 445 representatives from 61 countries gathered in Miami, Florida for the 15<sup>th</sup> Annual International Conference on New Developments in Government Financial Management. This year's conference explored "The Impact of E-Government on Financial Management: Corruption Risks and Control Rewards." Many SAIs participated in the program and speakers included Dr. Arpad Kovacs, President of the Hungarian State Audit Office, Mr. Gregorio Guerrero Pozas, Auditor General of Mexico, and Mr. David M. Walker, Comptroller General of the United States. During one of the breaks, some of the SAI delegates gathered for a photo. *

The themes of unity and community were abundantly evident during the Symposium of INTOSAI Development Initiative (IDI) Training Specialists convened in Oslo, Norway from June 3 - 9, 2001. The event, unique in INTOSAI's 48-year history, brought together 158 training specialists from 82 countries for four days of learning, sharing and networking. The symposium represented the first time that IDI had assembled SAI staff from all INTOSAI regions where the IDI long-term regional training program has been implemented. In addition, the Symposium served as a launching pad for goal two of IDI's 2001 - 2006 strategic plan, "...to establish and/or strengthen the network of training specialists."



*Many Symposium activities were based on small group discussions, which gave participants opportunities to share experiences and information.*

The Symposium was officially opened by Bjarne Mork-Eidem, Auditor General of Norway and President of IDI. In his welcoming remarks, Mr. Mork-Eidem gave an overview of the Symposium and put the event in a broader context when he said that, "The purpose of our international symposium is to discuss training issues of great importance for our national supreme audit institutions (SAIs) and for the international cooperation which takes place within the framework of INTOSAI. Our common professional challenges are to find ways and means of raising the levels of professional audit competence in the SAIs of developing and emerging nations. The themes selected for the symposium reflect both the challenge of the ever-evolving training methodologies and the challenge of emerging and important issues." Joining Mr. Mork-Eidem in welcoming participants at the opening reception on Sunday evening was Hilde Frafjord Johnson, Member of Parliament, who spoke eloquently on international development's mission to improve the quality of life of people in recipient countries, and on the crucial role public sector auditors play, through their financial management and accountability work, in supporting that mission.

The technical program began on Monday morning with a keynote speech by Tove Strand, Director General of the Norwegian Agency for Development Cooperation (NORAD). Ms. Strand described NORAD's guiding principles of 'recipient responsibility,' developed in the early 1990s, that provides a foundation for its development work. "The principle of recipient responsibility," she said, "entails that as much as possible of the power that is linked to donor funding is transferred to our partners in developing countries. This policy also entails that, if we are to reach our development goals, we have to strive to establish an equal partnership based on a clear division of roles and responsibilities. This strategy is the foundation for a more realistic dialogue regarding what Norway can contribute and what our partners themselves must take responsibility for."

Ms. Strand's keynote remarks were brought to life and the principle of recipient responsibility was illustrated in the many symposium sessions that followed speech. For each of the highly interactive sessions described briefly below, participants were actively involved in preparing, delivering and/or responding to issues; the regional training specialists were both leaders and participants, and teachers and learners.

### Sessions focus on networking and technical skills

#### Networking and Community Building

The session following Ms. Strand's remarks was the first of the three-part networking activity led by Rick Steele over a three-day period. Mr. Steele had been a lead instructor in IDI's long-term regional training program in many regions, and designed the networking exercises to promote inter-regional sharing and networking. The first activity on Monday morning, "Removing Barriers - Creating Bonds," provided opportunities for participants to meet colleagues from other regions, exchange personal and professional information, and begin to develop



*Participants from the AFROSAI region gather for one of the many break-out sessions during the Symposium*

relationships. Designed to help overcome the barriers posed by language and cultural differences, this introductory activity succeeded in beginning to create cross-regional bonds and links among the participants.

The second networking session was held the following day, and encouraged participants to identify colleagues from other regions who could form the basis for a global network or community of training specialists with common goals and interests. This activity continued on Wednesday in a forum where representatives from all participating regions identified issues and challenges they face in common, and suggested ways these can be addressed in order strengthen audit training in all regions.



*The staff of the IDI General Secretariat, based in Oslo at the Office of the Auditor General, are introduced at the opening plenary session.*

Norwegian hosts and symposium organizers contributed to the networking goal by offering participants informal visits to the homes of staff of the Norwegian audit office after the formal sessions each day. These visits, coupled with the formal program, helped keep the focus on developing interpersonal relationships during the week.

### **IDI Program Update and Planned Website**

The next session featured speakers from the IDI General Secretariat. Director General Magnus Borge provided an overview of IDI's recent initiatives, including its move from Ottawa to Oslo, and the adoption and implementation of IDI's 5-year strategic plan. Mr. Borge teamed up with Richard Gagne (former IDI director of programs in Ottawa and now a senior advisor to IDI) to conduct an interview as a way of presenting the history of IDI's evolution since its creation in 1986. Mr. Borge concluded by saying, "From being a secretariat that mostly organized (and delivered) training courses from 1986-2000, IDI has taken another approach and invested a lot of resources in building-up training infrastructures to meet the needs of regions and national SAIs. The IDI secretariat in Norway is building on the achievements of our Canadian colleagues, and we are aiming at a continuous development of IDI programs and activities based on the current training infrastructures, new technology, and the establishment of closer links to other INTOSAI bodies."

IDI's new emphasis on technology was described by its new information technology manager, Patrick Callaghan, on secondment to IDI from the U.K. National Audit Office. Mr. Callaghan presented plans that support the information and communications area of the strategic plan; this includes the

development of the 4-language website, an electronic bulletin board service, as well as an electronic version of IDI's Directory of Training Courses.

Information and knowledge sharing was the subject of a presentation by the editor of this *Journal*, Don Drach, who talked about the *Journal's* role as a vehicle for sharing communicating and sharing information among INTOSAI members. His presentation emphasized the importance of developing systematic approaches to "getting the right information to the right people at the right time" and also discussed a current survey of *Journal* readers designed to solicit ideas about the *Journal* can support INTOSAI and IDI in this goal.

### **Regional Working Groups Discuss Common Issues**

The first day of the Symposium concluded with break-out discussion sessions where each regional working group met to discuss current regional issues, the IDI training directory and related questionnaire, and the proposed bulletin board discussed earlier by Mr. Callaghan. The training directory is being re-developed as part of goal four of the IDI strategic plan, and is expected to be published in a dynamic environment using the IDI website, supported where necessary by publishing parts of the directory in CD-ROM and paper formats. It is hoped that providing the directory in this way will facilitate the rapid addition and updating of entries as well as access to electronic versions of course materials. The underlying principle of the directory has always been to share good practice in audit training, and symposium participants actively brainstormed way to make this happen. In addition, they were asked to complete a survey on the subject.



*Participants and facilitators had many opportunities to meet informally during the Symposium*

### **Cross-Cultural Issues, Evaluation and E-learning**

The second day of the symposium was devoted to a series of interactive sessions featuring guest speakers. The opening session, "Cross-cultural effectiveness," was led by Richard Gagne and Fida Geagea of IDI, who facilitated a lively discussion on cross-cultural issues and on working effectively in a multi-cultural, global environment. As in earlier session, the importance of building and nurturing strong professional relationships grounded in personal relationships and trust was noted as an important element to this topic.

A two-part session on “Evaluating the Impact of Training” was led by Rita Gudziunas-Mankowski of the Office of the Auditor General of Canada. Ms. Gudziunas-Mankowski, has been associated with IDI for many years, and focused her presentation on the importance of the evaluation process and on highlighting practical ways of measuring training impact. Central to these sessions was a panel discussion by representatives of the regional working groups, who presented lessons learned and best practices. Six participants, from Burkina Faso, Japan, New Zealand, South Africa, Tunisia and Venezuela presented experiences from their regions and responded to questions and comments.

The day concluded with a provocative session on “Challenges in e-learning,” which emphasized the new possibilities for alternative forms of teaching, learning and cross-boundary cooperation afforded by technology. The presenters, Tone Loemo and Marit Lieng of the Norwegian School of Management, highlighted innovative ways to communicate and learn effectively across country and regional borders without respect to old limitations of time.

### Participants explore fraud and environment audit issues

Two topics that know no political or geographical boundaries and are of critical importance to public sector auditors – fraud awareness, prevention and detection, and environmental auditing – were the focus of day three. The morning was dedicated to an interactive session on fraud, and featured as a speaker Neil Papineau, director of forensic audit section in the Office of the Auditor General of Canada. As with the evaluation session, a central feature of this session was a panel discussion by regional representatives on the impact of fraud on the public sector and on what their governments are doing about it. Issues related to integrating the subject into training courses was also discussed. Panelists included representatives from Argentina, Cameroon, Cook Islands, Indonesia, Tunisia and Zambia.

Environmental auditing was the subject of the afternoon, which featured a presentation by Canada’s Commissioner of the Environment and Sustainable Development, Johanne Gelinas. Ms. Gelina’s remarks centered on two recurring themes:



*Training specialists took the lead in preparing and presenting numerous sessions.*



*Reflecting the themes of unity and community, participants from ASOSAI joined in song before the rest of the Symposium*

(1) environmental audits are fundamentally the same as other performance audits and trainers should recognize this reality; and, (2) a journal of a thousand miles begins with the first step. Many SAIs have only just begun work in this area, and this session provided simple, practical steps that virtually every SAI can take to get started and to sustain this type of work. Ms. Gelinas said that environmental auditing is an important tool to improve public governance of significant global problems such as environmental degradation of land, water and air, and the destruction of the diversity of life on the planet; it can also help governments build capacity as they move toward sustainable development.

### Concluding Remarks From the Government of Norway

The final session of the Symposium featured closing remarks by Norway’s Ministry of International Development, Anne Kristin Sydnes. Ms. Sydnes couched her remarks in the context of major international cooperation priorities, and identified the elimination of poverty as the overriding objective of development cooperation. She stressed the important role played by SAIs, particularly in three areas that help ensure the quality of Norway’s international development cooperation: fighting corruption, increasing the auditing capacity in developing countries, and implementing routines for environmental assessments. Ms. Sydnes concluded her remarks by saying, “I hope that after this symposium you will continue the discussion and the dialogue on your important part of the governance agenda, bringing with you back home new information, new tools, and new inspiration.”

For more information about the Symposium and about the full range of IDI programs and activities, contact: IDI, c/o Riksrevisjonen, Postbox 8130 Dep, N-0032 Oslo, Norway (Tel: 47 22 24 13 49; Fax: 47 22 24 10 24; e-mail: [idi@idi.no](mailto:idi@idi.no)).



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# ARABOSAI Assembly Convenes in Rabat

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The Arab Organization of Supreme Audit Institutions (ARABOSAI) convened its 8<sup>th</sup> triennial General Assembly in Rabat, Morocco from April 24 – 27, 2001. The 19 supreme audit institutions that gathered in Rabat were Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen; two ARABOSAI members, Somalia and Comoros Islands, were unable to attend. Joining the more than 75 delegates were observers representing the INTOSAI General Secretariat, the INTOSAI Development Initiative, the Arab League, the Arab Association of Auditors and Accountants, the Association of French-speaking Supreme Audit Institutions, the Netherlands Court of Audit, and this Journal. The 4-day meeting, which featured business and technical sessions as well as cultural and social programs, provided ample opportunities for all participants to renew old friendships, establish new ones, and to further develop the professional and personal relationships that facilitate the work of ARABOSAI in the spirit of INTOSAI's motto – 'Mutual Experience Benefits All.'

## Inaugural Ceremony Features Message from King

The inaugural ceremony was highlighted by a personal message to the Assembly from H.R.E. King Mohammed VI. Read by the King's senior advisor, the King's message welcomed participants to Morocco and wished them every success in their deliberations. Noting the critical role public auditing plays in governance and accountability, the message lauded the progress made in member countries in the last two decades, and encouraged SAIs to achieve more progress as they expand their financial auditing to an increasing emphasis on performance and comprehensive auditing.

Assembly host and President of Moroccan Court of Accounts, Mr. Abdessadeq El-Glaoui, added his welcome. He said that the assembly comes at a time of many changes in Morocco's public sector, with expectations of new roles and responsibilities for the Court including establishing a constitutional basis for financial auditing and creating regional

audit bodies. Mr. El-Glaoui expressed his appreciation to all participants, to the ARABOSAI General Secretariat, and to his staff members for their organizing role. Also featured on the inaugural program were the Presidents of the SAIs of Egypt (Mr. Mohamed Gawdat Ahmed El-Malt, former Chairman of the ARABOSAI Board) and Tunisia (Mr. Mohamed Raouf Najar, who also serves as ARABOSAI Secretary General). Their remarks highlighted the regional and global challenges that require countries and their SAIs to work collaboratively, and they noted the many achievements and opportunities for cooperation through ARABOSAI.

## Three Technical Themes Address Common Issues and Concerns

### Theme 1: Performance Audit of Public Sector Services

This theme was led by Jordan serving as rapporteur and the United Arab Emirates serving as chairman. The session began with a comprehensive overview of the country papers most of which highlighted the fact that there is a wide range of experience among regional SAIs in the area of performance auditing and that this is a major priority as SAIs look to the future. While some strides have been made in conducting economy and efficiency performance audits, delegates noted that effectiveness audits remains a challenge, and this was the focus of the open and lively discussions that followed. Stressing that effectiveness audits play an important role in improving delivery of public sector services, delegates identified specific recommendations for strengthening their role, including: obtaining the legislative mandate to conduct performance audits; achieving adequate independence from government; and securing adequate financial resources and well-trained staff to conduct performance audits. In addition, they noted the importance of strong internal audit functions in government ministries and departments who also have a performance audit capacity. At the same time, the Assembly identified a number of difficulties in achieving this role, such as: lack of good programmatic information and data in audited



*Assembly delegates and observers gather for formal group photo in front of the King Mohamed V mausoleum at the Mosque of Hassan in Rabat.*



*ARABOSAI leaders at the head table during the opening ceremony: Mr. Najjar, Secretary General; Mr. Al-Malt, President of the Central Audit Organization, Egypt; Mr. Youssoufi, Prime Minister of Morocco; Mr. Belfekih, Counsellor to the King of Morocco; Mr. El-Glaoui, President of the Court of Accounts, Morocco; Mr. Hatit, President of the Court of Accounts, Lebanon.*

agencies; difficulty in accessing information; and, lack of clear criteria against which to evaluate programs. One SAI described its experience with introducing and conducting performance audit over a 25-year period, and pointed to these practices as helpful: developing a cooperative relationship with auditees; helping auditees establish strong internal audit functions; creating multi-disciplinary teams within the SAI the plan and conduct performance audits; establishing a system for monitoring and following up on audit recommendations; and, reporting the results of performance audits directly to parliament. Delegates were unanimous in supporting the continued, frank exchange of views and experiences, not only within the region but with SAIs worldwide.

## Theme 2: Audit of State-owned Companies

The second theme discussion centered on audit issues related to auditing state-owned and other non-governmental agencies, and was led by Egypt as rapporteur and Kuwait as chairman. Egypt opened the session with a synopsis of the main points raised in the country papers. Citing problems similar to those identified in the theme one discussions, such as lack of access to documents and poorly organized



*Delegate from Libya (left) makes a point during a theme discussion as colleagues from Libya and Morocco look on.*

organizations with weak or non-existent accountability mechanisms, one delegate noted that in his country, “Sometimes our auditors cannot even find an organizational chart for the audited entity” and, in some cases, the legislation creating these types of organizations was “verbal and not written.” Delegates agreed that the SAIs have a proper role in bringing some measure of accountability to this domain, and stressed the need to (1) identify the nature of the organization, including the type and amount of government subsidy it receives, and then (2) document the objectives of the organization as a way to developing criteria for auditing. Because these organizations are by definition different from government ministries and departments, SAI staff must be trained to understand their structures and forms of subsidy. In addition, where needed,



*A highlight of the historical and cultural program was visit to the Mosque of Hassan, led by Royal Historian Mr. Benmansour (second from right).*

delegates emphasized the need for clear and well-documented rules and regulatory codes governing the establishment and conduct of these non-government entities. In some cases, this may require modifying or creating new legislation. Finally, it was noted that such audits need not be annual audits, but perhaps conducted just once every three or five years especially in organizations with limited activity.

## Theme 3: Information Technology and Auditing

The SAIs of Saudi Arabia (rapporteur) and Egypt (chairman) served as theme officers for this theme, which is of central interest to all SAIs. Delegates concurred that information technology, perhaps more than any other single issue, poses the greatest challenges and opportunities for their institutions. In many countries, SAIs are finding that they have to catch up with their auditees who are often more automated and more advanced technologically than the SAIs. To some extent, this problem is rooted in a lack of independence and an adequate budget and trained staff, and delegates were unanimous in recommending that in these cases, SAIs must strive for adequate independence. One delegate suggested that, in his country, there is a government-wide need for standardization of audit and other software procured and used by government agencies to avoid a complication system he described as a ‘tower of Babel’ regarding software. Another delegate endorsed this idea, and went further to suggest standard processes be employed, when appropriate, by all government agencies so that proper control points could be maintained. The idea of creating a web



*The diversity of ARABOSAI membership is reflected in this photo featuring delegates from (left to right) Qatar, Iraq, and Sudan.*

site for use by ARABOSAI members was also suggested; the web site would be a useful way for members to share information, experiences and expertise with each other.

### **ARABOSAI Organizational Issues Discussed and Decided**


One session during the Assembly was dedicated to presentations, discussions and decisions on a wide variety of organizational, professional and business issues related to ARABOSAI. Much of this was contained in the Secretary General's annual report to the membership, which was adopted unanimously. Decisions taken in the field of training included agreement to continue: the three-year regional scientific and training program with a focus on cooperation with IDI, and an emphasis on training staff in areas such as foreign assistance, privatization, the environment and social assistance programs.

In terms of supporting the communication goals of the region and indeed of INTOSAI itself, delegates voted to continue providing Arabic language translation services for the International Journal of Government Auditing, maintaining and expanding the Arabic-English-French terminology project, and exploring ways to enhance communication and networking among members. In the field of communications, prizes were awarded for the best articles published in the ARABOSAI

Journal; first place went to Egypt, second place to Iraq, and third place to another article by Egypt.

New members of the ARABOSAI Governing Board were elected for the next three-year period, and are the SAIs of Bahrain, Lebanon, Libya, and Saudi Arabia. Elected by the membership to serve on the finance/audit committee were the SAIs of Mauritius and Qatar. Looking to the future, the Assembly accepted Jordan's offer to host the next General Assembly in 2003, and identified some potential topics for discussion in Jordan.

At the closing ceremony, delegates were unanimous in praising and thanking the host SAI, the Court of Accounts of Morocco and its President, Mr. El-Glaoui and his staff, for the excellent arrangements and hospitality. As one delegate noted, "Our hosts set the stage for fruitful discussions that will benefit us on our return home."

For more information about the 7<sup>th</sup> General Assembly and about ARABOSAI, please contact: Secretary General – ARABOSAI, Cour des Comptes, 25 Avenue de la Liberte, B.P. 1002, 1004 Tunis, Tunisia. 



*The Assembly provided opportunities for much ARABOSAI organizational business to be conducted. Pictured here, from left to right, are three members of the ARABOSAI General Secretariat (Mr. Hosni K'hemais, Mr. Abdessalam Chaabane, and Mr. Sadok Ben Hassem) talking with Mr. Bannasser El-Bas from the Court of Accounts of Morocco.*

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# Audit Profile: The Board of Audit and Inspection of the Republic of Korea

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*By The Board of Audit and Inspection*

The audit and inspection system of Korea has a 1,300 year-old history. During the times of the dynasties, it focused on uncovering wrongdoings of government officials. After the government of the Republic of Korea was established, and pursuant to the provisions of the Constitution of 1948, the Board of Audit was founded under the President of the Republic as the supreme audit institution (SAI). In accordance with the provisions of the Government Organization Act of 1948, the Commission of Inspection was also established under the President to supervise and inspect the duties of the employees of central and local governments, government-invested organizations, and other organizations prescribed by law.

Because the work of the Board of Audit and the Commission of Inspection was in many cases so closely related, the revised Constitution of 1962 prescribed that these two organizations be merged. The Board of Audit and Inspection Act of 1963 established the current Board of Audit and Inspection (BAI) on March 20, 1963.

In recent years, the Korean people have had high expectations for economic revitalization, national competitiveness, and transparent government. In response, the Korean government has been demanding both a bold restructuring in the public sector and the eradication of corrupt practices. Within this environment, the BAI has identified three directions for its audit operations: audits to promote reform, productivity audits, and open audits. The BAI expects that its efforts will increase the effectiveness of government reform measures, help eradicate an environment that nurtures corrupt practices, promote creativity and responsiveness in public service, and encourage popular participation in audits and prompt responses to the interests of the public at large.

## **Audit Authority and Independence**

Constitutional provisions clearly establish the functions, responsibilities, status, and organization of the BAI. While the Constitution provides that “the Board of Audit and Inspection shall be established under the President,” the BAI retains independence in performing its duties in accordance with the provisions of the Board of Audit and Inspection Act (BAI Act). To ensure the BAI’s independence, its Chairman, like the Chief Justice and the Prime Minister, is appointed by the President with the consent of the National Assembly.

The Council of Commissioners is the BAI’s highest decision-making body. It is composed of seven Commissioners, including the Chairman. Its collective decision-making ensures that fairness will not be sacrificed in the name of efficiency and expediency as the BAI performs quasi-judicial functions, such as making judgments on liability for reparations.



*The main office of the Korean Board of Audit and Inspection*

To ensure the BAI’s independence, the BAI Act contains provisions guaranteeing the status of the Commissioners. The act states that “the BAI’s independence in the appointment and dismissal of its officials, its organization, and the formulation of its budget must be respected to the greatest extent.”

## **Responsibilities**

The BAI has the following major responsibilities:

- *Confirmation of the final accounts:* The BAI examines the final accounts of state (central government) revenues and expenditures and reports the results of its examinations to the President of the Republic and the National Assembly.
- *Audit:* The BAI audits the accounts of the state, provincial governments, other local autonomous bodies, and government-invested organizations in order to ensure proper and fair accounting. The BAI audits entities subject to mandatory audit as well as discretionary audit.
- *Inspection:* Inspection aims to improve the operation and quality of public services. It differs from audit in that it examines matters of a non-accounting nature. The BAI inspects work performed by central, provincial, and local governments, and the duties of their employees. Certain persons doing works of a public nature are also subject by law to inspection.

The Council of Commissioners deliberates on audit and inspection findings for adjudication. If government assets have been damaged or lost, the liable person is asked to pay reparations. If a matter is found to be illegal or unjust, the BAI asks the agency concerned to take corrective measures. If a person is found to have committed a serious wrongdoing, the BAI asks the supervisory authority to take disciplinary action

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against him or her. If any loopholes or problems are found in legislation, institutions, or practice, the BAI asks the agency concerned to take corrective actions.

When it is inappropriate for the BAI to make the above-mentioned requests or when the chief of the relevant agency needs to handle the matter at issue on his own initiative, the BAI may make recommendations or provide advice to the responsible minister, supervisory agency, or chief of the audited entity.

Other responsibilities of the BAI are as follows:

- *Reexamination*: If any affected parties—audited entities, relevant ministers, appointing authorities, authorities recommending appointments, heads of the supervisory agencies, or individuals—believe that the BAI's decisions against them are illegal or unjust, they can submit a request for reexamination to the BAI. In addition, the BAI may initiate the reexamination process on its own authority if it finds its decisions have been inappropriate or unjust.
- *Decisions on Claims for Review*: If entities subject to BAI audits have infringed upon the rights or interests of others through illegal or unjust administrative actions, the affected parties can institute an appeal through the BAI. The BAI examines the case and communicates the results of its examination to the parties who made the claim and the head of the relevant entity. The head of the relevant entity must take the measures requested by the BAI's decision.
- *Expression of Opinion*: Government entities should ask for the BAI's opinions when the enactment, revision, or abolition of relevant laws concern accounting, powers of the BAI, or internal audit and inspection. The BAI provides its authoritative interpretation when accounting officials of entities subject to BAI audits request advisory opinions concerning the interpretation of accounting laws.
- *Reception of Civil Petitions and Complaints*: The BAI operates a reception center and a toll-free hotline to receive petitions and complaints from the public. Assertions can also be made by facsimile or through the Internet. This convenient arrangement protects the public's rights and interests and provides easy access to the BAI. The BAI investigates petitions and complaints and settles them or refers them to the agencies concerned or their supervisory agencies.

## Organization

The BAI comprises the Council of Commissioners, the Secretariat, and the Audit and Inspection Training Administration. The Council of Commissioners is composed of the Chairman and six Commissioners. The Council is the highest decision-making body of the BAI. Commissioners are appointed by the President of the Republic upon the recommendation of the Chairman of the BAI. They serve a 4-year term and may be reappointed only once.

The Secretariat is the operational arm of the Chairman and is headed by the Secretary General. Directly under him are the

First and Second Deputy Secretaries General, the Director General for Planning and Management, and the Audit and Inspection Training Administrator. Two Deputy Secretaries General direct seven audit operations bureaus and two special audit groups—the Major Government Program Audit Group and the Environmental and Cultural Audit Group.

In April 1993, the Commission for the Prevention of Corruption (CPC) was set up as an advisory body to the Chairman of the BAI. About 20 prominent citizens representing various walks of life are appointed to the Commission, which helps the Chairman by providing advice and recommendations on the fight against corruption.

## Training

The BAI is committed to continuously improving the skills of its professional staff through ongoing training. Its training center, the Audit and Inspection Training Administration (AITA), has enhanced its efforts to provide training programs that maximize productivity and effectiveness.

The AITA provides training programs for the staff of the BAI, internal auditors, and accounting officials. The programs focus on helping their graduates attain self-sufficiency as well as new audit skills and knowledge. Every year, the AITA provides some 50 courses to about 7,000 auditors and accounting officials.

In addition to its in-house training programs, the BAI offers many training opportunities for its staff members at specialized training institutes, accounting firms, or academic institutions at home and abroad. Training programs or seminars organized by the Asian Organization of Supreme Audit Institutions (ASOSAI) or its member SAIs serve as a forum where auditors of the BAI exchange audit experience and gain new audit skills to enhance their capabilities.

## International Activities

Believing that mutual exchange benefits all parties concerned, the BAI has promoted international cooperation and the interchange of personnel and information. An active member of INTOSAI and ASOSAI, the BAI maintains close bilateral relationships with many SAIs. In addition, it shares information with agencies fighting corruption around the world.

After joining INTOSAI in 1965, the BAI served as the auditor of INTOSAI from 1992 to 1995 and currently works as a member of the Public Debt Committee and the Working Group on Environmental Auditing. In 1998, it was appointed as the First Vice-Chairman of INTOSAI and the host of the 17<sup>th</sup> INTOSAI Congress, which will be held in Seoul, the capital city of Korea, from October 21 to 27, 2001.

The BAI also has actively participated in information sharing and promotion of friendship on a regional basis. It has had a seat on the Governing Board of ASOSAI since the organization's inception in 1979. The BAI hosted the second Assembly of ASOSAI in 1982 in Seoul and served as its Chairman for the following 3 years. The BAI has stressed the importance of training and exchange of information in the ASOSAI region and has enhanced efforts to meet regional


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training needs by organizing seminars for the auditors of ASOSAI member countries every 3 or 4 years.

As the host of the 17<sup>th</sup> INTOSAI Congress, the first of its kind in the 21<sup>st</sup> century, the BAI has expended every effort to make the Congress a great success. Beforehand, the BAI hosted the 47<sup>th</sup> Governing Board meeting in May 2000 for 74 delegates from 24 countries. The BAI utilized the Governing Board meeting as an opportunity to test its preparations for the 17<sup>th</sup> Congress. Most of the participants in the Governing Board meeting highly praised the level of the preparatory work, especially in documentation, interpretation, and guest assistance. The BAI has reviewed the results of the Governing Board meeting to better prepare for the Congress this autumn.

The BAI created an Internet homepage ([www.koreasai.go.kr](http://www.koreasai.go.kr)) for the Governing Board meeting and the 17<sup>th</sup> INTOSAI

Congress. The homepage was launched in February 2000 in the five INTOSAI working languages. It featured an online registration service that some participants in the Governing Board meeting used to register. The BAI believes that the homepage worked very effectively for both the participants and the host of the Governing Board meeting. The BAI hopes that the homepage for the 17<sup>th</sup> Congress, a revised version of the homepage for the Governing Board meeting, will help member SAIs acquire necessary information and register for the Congress with less money, time, and effort.

For further information, please contact the International Cooperation Division, the Board of Audit and Inspection, 25-23 Samchung-dong, Chongro-ku, Seoul 110-706, Korea. E-mail: [koreasai@koreasai.go.kr](mailto:koreasai@koreasai.go.kr). 

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# Reports in Print

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The Board of Audit of Japan has published its latest edition of *Government Auditing Review* (vol. 8). In this edition, the Government Auditing Review provides five Reports In Print. The Board of Audit of Japan has published its latest edition of *Government Auditing Review* (vol. 8). In this edition, the Government Auditing Review provides five selected articles written by academic scholars and members of the Board of Audit. The five articles are (1) Toward Audit of Business, (2) Theme for Introduction of Evaluation of Administrative Performance, (3) Accounting Revolution in Sapporo and Usuki City, (4) Performance Auditing from the Viewpoints of Equity, and (5) Problems and Prospects on Reform of Central Government Accounting System. To obtain a copy of Government Auditing Review Volume 8, (in English) write to **Research and Study Division, Board Of Audit, 3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8941, Japan (fax++81-3-3581-8877).**

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The Romanian Court of Accounts has published its periodical called *Financial Audit Review* (No.2/2000). The topics addressed by this issue concern the specific activities of the Court of Accounts, debates, matters of jurisdictional actice as well as the most significant international meetings attended by the Court's representatives during the second half of the year 2000. Brief summaries of the articles are in English and French. Copies can be obtained from the **Romanian Court of Accounts at 22-24 Lev Tolstoi Street 71289 Sector 1, Bucharest, Romania (tel++00401-230-13-77, or fax++00401-230-13-64).**

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Journal readers may be interested in reviewing the publication, *Government Governance: Corporate governance in the public sector, why and how?* Written by the Government Audit Policy Directorate (DAR) of The Netherlands Ministry of Finance, with the objectives to create safeguards for achieving policy objectives. The essence of sound governance, from the perspective of the ministerial responsibility, is that there are enough safeguards enabling the minister to bear ministerial responsibility. This paper describes a tool for reviewing and analyzing the governance structures in the public sector and can be useful in every policy

area including education, sports, welfare, agriculture, prisons, taxes and medical care. To obtain a copy contact the **Ministry of Finance Government Audit Policy Directorate (DAR) P.O. Box 20201 2500 EE The Hague, The therlands (tel++31-70-342-75-42, or fax ++3170-342-7915).**

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The Australian National Audit Office (ANAO) issues *Better Practices Guides* as part of its integrated audit approach which includes providing information support services to audit clients. Since 1996, the *Better Practice Guide* series has dealt with key aspects of the control structures of entities, which is an integral part of good corporate governance. One of the current issues deals with contract management within a risk framework, specifically on day-to-day contract management matters. The primary focus is on achieving required results and value for money. A number of other topics have been explored in the Better Practice Guide series including grants administration, cash management, staff reductions and other workforce issues, and performance principals. Requests for copies of Better Practices Guide series should be addressed to the **Publications Manager, Australian National Audit Office, GPO Box 707, Canberra ACT 2601 Australia. (tel++02-6203-7500, or fax ++02-6273-5355) www.anao.gov.au.**

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The Organization for Economic Cooperation and Development (OECD) has published a new book on *Governance in the 21<sup>st</sup> Century*. Growing integration of markets, radical new technologies, the increasing knowledge intensity of human activity, are all indications of a complex world. New forms of governance will be needed over the next few decades which will involve a much broader range of active players. Traditional hierarchical organizations and top-down control will give way more and more to wider diffusion of responsibility and decision-making that builds on the talents for innovation and creativity of individuals and groups. This book explores some of the opportunities and risks that decision makers will have to address in the coming years, and outlines what needs to be done to foster society's capacity to manage its future more flexibly and with broader participation of its citizens. To obtain a copy of the publication contact **OECD, 2 rue Andre Pascal, 75775 Paris Cedex 16, France.** 

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# Inside INTOSAI

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*XVII INCOSAI on line! Delegates to the XVII INCOSAI to be held in Seoul, Korea from October 21-27, 2002, can obtain complete information about the Congress, including theme papers, agendas, and registration forms from the easy-to-use web site [www.koreasai.go.kr](http://www.koreasai.go.kr) prepared by the Korean Board of Audit and Inspection.*

## **INTOSAI Privatisation Working Group Meeting Held in Budapest**

### **New Guidelines Agreed**

The Working Group's eighth meeting was hosted in Budapest on 11 and 12 June 2001 by Dr Árpád Kovács, President of the State Audit Office of Hungary. Sir John Bourn, Comptroller and Auditor General of the United Kingdom, Chairman of the Working Group, said the fact that 24 SAIs were represented at the meeting underlined the continuing and increasing interest in privatisation and its offshoots across the membership of INTOSAI and in all regional groupings. He noted that in November 1998 XVI INCOSAI had asked the Group to monitor the effectiveness of the guidelines on best practice for the audit of privatisations, which had just been adopted, to facilitate the further exchange of information between SAIs about privatisations and their audit, and to develop new audit guidance.

Since 1998, case studies show that both practitioners and SAIs are finding the privatisation guidelines to be helpful in the privatisation process and its audit. And at the Budapest meeting the Group reached agreement on two further series of guidelines, on the audit of economic regulation and of public/private finance and concessions.

The guidelines on best practice for the audit of economic regulation recognise that regulation is being used increasingly as a means of checking the power of monopolistic and dominant suppliers of vital utilities, and that regulators face a difficult task in pursuit of their remits, which can include in particular balancing the interests of the consumer against those of the supplier. The guidelines on best practice for the audit of public/private finance and concessions underline both similarities and differences between the privatisation approach and the private finance or concession approach. Under both, the state ceases to perform activities which may traditionally have been seen as exclusively the responsibility of the state. But, in contrast to an outright sale, under the private finance or





*Members of the Privatization Committee take a break from their deliberations in Budapest to pose for a group photo.*

concession model the state continues to have a measure of responsibility for the service provided. The guidelines set out the issues that need to be addressed if these arrangements are to provide value for all parties.

These two new sets of guidelines have been informed by case studies, drawing on the audit experience of many SAIs, and they received a favourable response when they were circulated in draft to the full INTOSAI membership in October 2000 for comment. The Group approved the drafts for submission to XVII INCOSAI for adoption.

The Group have now produced three sets of guidelines addressing three major aspects of privatisation: the sales process itself, the regulation of suppliers, and the negotiation and management of contracts with the private sector for the supply of public services. The usefulness of these guidelines need to be monitored, and if necessary supplemented by further guidance, which might, for example, be needed in relation to audit issues arising where the state is a minority shareholder, in examining alternatives to regulation, and in response to further developments in the field of partnerships.

In view of this, the Group propose to focus their efforts in the period leading up to XVIII INCOSAI in Budapest in 2004 on monitoring the effectiveness of the guidelines adopted by INTOSAI, developing future audit guidance as necessary to supplement these guidelines, and continuing to facilitate the exchange of information between SAIs.

For more details, visit the Group's website [www.nao.gov.uk/intosai/wgap/home.htm](http://www.nao.gov.uk/intosai/wgap/home.htm), where all the Group's working documents, case studies, and the guidelines, can be found, together with contact details of members.

### **Internal Control Standards Meets in Miami**

In conjunction with the International Consortium on Governmental Management's (ICGFM) Miami conference, INTOSAI's Internal Control Standards Committee had a meeting on April 5, 2001. Dr. Arpad Kovacs (Hungary) the committee chair conducted the meeting which was hosted by Mr. Walker (USA). Participants at the meeting included representatives from the SAIs of Austria, the Bahamas, Belgium, the Czech Republic, El Salvador, the Netherlands, Oman and Tanzania. Observers from the Inter American Development Bank (IADB), the ICGFM, the United States Agency for International Development (USAID), and the World Bank also participated.

Dr. Kovacs discussed the results of the 2<sup>nd</sup> International Conference on Internal Control which attracted participants from 50 countries in May 2000, and summarized the report he would give at the upcoming INCOSAI regarding committee activities. Committee members provided additional information for the reports and also discussed the future leadership and work of the committee.

Mr. Walker presented a draft of a brochure discussing the role of managers in establishing and maintaining internal control. The brochure had been circulated among committee members in English, and committee members volunteered to translate the brochure into INTOSAI's other official working languages (Belgium-French, Costa Rica-Spanish, Oman/the World Bank -Arabic, Austria-German). The translated draft will be circulated among INTOSAI members for their comments and the final product will be presented in Seoul during the October congress.

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## **Environmental Auditing Moving Forward to XVII INCOSAI, Seoul 2001**

The INTOSAI Working Group on Environmental Auditing has developed many activities since the erection in 1992 and offers many different products, from documents and booklets to a video, a CD ROM and a website. The most important activities of the Working Group were to stimulate a larger involvement of the INTOSAI-regions, and to continue the development of guidelines. At INCOSAI XVII in Korea, the Chair of the Working Group Mrs. Saskia J Stuiveling, President of the Netherlands Court of Audit, will present the Working Groups activities and the developments in this field. This paper describes the main achievements and products of the Working Group between 1999 and 2001. In doing so, use is made of the results of the third survey on environmental auditing, held by the Working Group among all INTOSAI members last year.

### **Achievements of the Working Group 1999-2001**

#### **Establishing Regional Working Groups**

As said, the main important activity of the Working Group between 1999 and 2001 was to stimulate a larger involvement of the INTOSAI-regions. The strategy of the Working Group met with enthusiasm in the regions. By the end of 2000, the INTOSAI regions AFROSAI, ARABOSAI, ASOSAI, EUROSAL, SPASAI and OLACEFS had developed their own regional Working Groups on Environmental Auditing, or other ways to co-operate.

The results of the third survey show that the great majority of the responding SAIs support the strategy for regional co-operation. Nearly half of the responding SAIs is already involved in a regional working group on environmental auditing. Another 40% considers to become a member of a regional group or is interested in participating in one or more activities on a regional basis. The co-operation within the regions has already resulted in a number of regional Working Group meetings. Several regional training courses or seminars for environmental auditors are held.

#### **International Cooperation and the Audit of Environmental Accords**

An important activity of both the INTOSAI Working Group and the regional Working Groups is the development and execution of co-ordinated audits between SAIs and the audit of international environmental accords. To support this kind of audits, the Working Group made a booklet "How to co-operate on the audit of international accords with an environmental perspective". This booklet was adopted by INCOSAI XVI in Uruguay. During the last period, the Working Group prepared a follow-up on this booklet: the paper "The audit of International Environmental Accords". The aim of this paper is to further stimulate the thinking process at SAIs about auditing international environmental accords and to provide some stepping-stones, or decision criteria, on the basis of which interesting accords can be selected.

Since INCOSAI XVI, many audits of environmental accords were undertaken. Over 160 reports can be found in the bibliography on our website. Several audits are performed in co-operation between SAIs. This means that a lot of practical experience came available that can be used by other SAIs. The results of the third INTOSAI questionnaire on environmental auditing show that the interest in co-operation between SAIs in the field of environmental auditing (whether it be on an international accord or on another environmental subject) is very high. Nearly 80% of the responding SAIs is interested. We think this provides a good basis for future activities in the regions.

#### **Other Products**

The Working Group also developed a number of other specific products relevant to the INTOSAI community, that will be available at INCOSAI XVII in Korea 2001:

- The Booklet "Guidance on conducting audits of activities with an environmental perspective". The purpose of this guide is to provide SAIs with starting point from which to create an approach to the satisfactory discharge of Environmental Auditing responsibilities within the context of each SAIs jurisdiction and mandate. The Booklet will be submitted to the INTOSAI community to be accepted as an INTOSAI-document in Seoul;
- The Working Group document on "Sustainable Development", which sets out to explain the concept of sustainable development and to assess the role that SAIs might play in auditing the progress made towards meeting the objectives for sustainable development outlined in national strategies;
- The Working Group document on "Natural Resource Accounting", made by the Working Group in 1998. This study contains information on the state of affairs in relation to natural resource accounting and the options open to SAIs in this field.
- The Working Group document on "The results of the third INTOSAI survey on environmental auditing". This paper is the latest addition to a series that shows the practice of Environmental Auditing in SAIs all over the world. Also the comparable paper on the results of the second survey (1998) is still available;
- A restructured and update website of the Working Group was established with a new address: [www.environmental-auditing.org](http://www.environmental-auditing.org). The website contains a wide variety of information that can be helpful to SAIs in preparing and performing environmental audits. It also contains a bibliography on more than 1200 reports on environmental audits from SAIs all over the world;
- The video "Green auditing, a global challenge" was produced by the Working Group and had its "Premiere" at INCOSAI XVI in Uruguay. The purpose of the video is to underline the importance of environmental auditing and to encourage SAIs to conduct this kind of audits.

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- The information exchange using the Green Lines bulletin was continued;
  - A CDROM is developed that includes all Working Group products (and more). It will be available at INCOSAI XVII in Korea for all delegates.

Most of the products mentioned in this article are available in the five INTOSAI languages. Exceptions are the study on “Sustainable development” and the paper on “The audit of International Environmental Accords”, which are available in English and Spanish only. Our products can be downloaded from our website or ordered at the secretariat of the Working Group.

Some SAIs let us know that they have limited possibilities in the field of environmental auditing due to a restricted mandate. The Working Group now is preparing a note on this issue, and the way SAIs can use their mandate, for example by “following the money”. The first preliminary draft of the paper “Environmental audit - Working within a restricted mandate” is available on our website, and we invite SAIs to provide us with their ideas and solutions on this issue.


### **Organization of the INTOSAI Working Group**

It is not necessary that all members of the regional workings groups become a member of the INTOSAI Working Group. Nevertheless, the INTOSAI Working Group grew rapidly since

INCOSAI XVI in Uruguay. At this moment there are 35 member SAIs. The large size of the INTOSAI Working Group and the start of regional working groups made it necessary for the INTOSAI Working Group to think about a new structure for the next period.

Since the start of the Working Group, the Netherlands Court of Audit was the chair. During the next period, the transition of the chair to Canada will be executed. These topics, as well as the ideas for the new workplan, will be discussed during the next meeting of the Working Group in Ottawa, Canada, September 2001.

### **More Information**

For more information, please visit our website at [www.environmental-auditing.org](http://www.environmental-auditing.org) or contact the secretariat of the INTOSAI Working Group at the Netherlands Court of Audit: P.O. Box 20015, 2500 EA The Hague, The Netherlands, Tel: ## 31 70 3424392 (Mrs. Bernadette Schomaker) or ## 31 70 3424292 (Mr. Peter van Roozendaal); Fax: ## 31 70 3424406; E-mail: [environmental.auditing@rekenkamer.nl](mailto:environmental.auditing@rekenkamer.nl). 

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# 2001 Calendar of INTOSAI Events

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## July

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## August

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*OLACEFS Congress  
Panama  
August 20-24*

## September

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*AFROSAI Board of Directors Meeting  
Libya  
(date to be announced)*

*Environmental Auditing Committee meeting  
Ottawa, Canada  
September 23 -26*

*ASOSAI Governing Board Meeting  
Kuwait  
September 29-October 3*

## October

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*XVII INCOSAI  
Seoul, Korea  
October 21-27*

## November

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## December

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