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

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New Information and Communication Technologies: Challenges Facing SAIs



As a result of unprecedented technological and economic progress, the world today is experiencing perhaps one of the most significant eras in human history. The accelerated development of new information and communication technologies, particularly the Internet, has generated a metamorphosis in all spheres of life, including the dissemination of knowledge, economic and financial management, commercial practices, education, and health.

These new technologies constitute a formidable tool for development, inextricably linking fundamental research and the development of applications, programs, and databases. They are creating a global interdependence that requires us to radically revisit our ways of life and the fundamentals of organizational governance. Moreover, these new technologies provide a significant means that can be used to modernize the state and, in a wider sense, government services.

They also, however, impose constraints and pose challenges. In a world of perpetual change, we are obliged to keep pace with the frantic rhythm of development or risk being left behind and increasingly unable to catch up. The stakes are high: it is a question of avoiding the digital divide or even a digital gap.

Clearly, supreme audit institutions (SAI) are deeply concerned about the rapid pace of change. They must keep track of the trends and adapt their modes of operation accordingly. They will have to cope with successive developments in management methods, the presentation of enormous masses of information, and new technologies.

However, the results of the work at INTOSAI's 18th congress, held in Budapest in October 2004, inspire confidence in the future of our SAIs. Indeed, the adoption of a strategic plan for 2005-2010 comes at exactly the right time and sets forth a blueprint for concerted action that is adapted to the priorities of our times. The plan aims to achieve four main goals:

- Promote strong, independent, and multidisciplinary SAIs by (1) encouraging SAIs to lead by example and (2) contributing to the development and adoption of appropriate and effective professional standards.
- Build the capabilities and professional capacities of SAIs through training, technical assistance, and other development activities.
- Encourage SAI cooperation, collaboration, and continuous improvement through knowledge sharing, including providing benchmarks, conducting best practice studies, and performing research on issues of mutual interest and concern.
- Organize and govern INTOSAI in ways that promote economical, efficient, and effective working practices, timely decision-making, and effective governance practices, while maintaining due regard for regional balance and the different models and approaches of member SAIs.

This strategic plan will help to upgrade SAI programs and it incorporates legitimate ambitions. Nevertheless, its success will depend on how strongly members contribute to INTOSAI and commit themselves to the goal of achieving these ambitions.

The new information and communication technologies provide a valuable opportunity that SAIs should grasp in order to improve themselves and to become high-performance organizations that offer the optimal auditing services that the community needs.

The Tunisian Court of Audit, as an active member of INTOSAI, has worked consistently to obtain the physical and human resources it needs to be in step with the new information and communication technologies. Like other SAIs, it has never hesitated to share its know-how with partner countries. Moreover, it has always tried to collaborate with others in its constant quest for progress and has monitored what is happening in the world in order to obtain maximum benefit.

We cannot talk of the new information and communication technologies without mentioning the World Summit on the Information Society (WSIS), a historic, global event first held in Geneva, Switzerland, in December 2003. Tunisia will have the honor and privilege of hosting the second WSIS from November 16-18, 2005.

Participants in the first summit concluded unanimously that access to the new information and communication technologies is a key to sustainable development (another pressing and topical theme) and that there is a flagrant imbalance in this area—91 percent of persons with access to the Internet represent only 19 percent of the world's population.

The goal of the Tunis summit is to find practical solutions that will reduce the digital divide between countries of the North and South in order to develop a balanced information society that is accessible to everyone.

The summit will also table the issue of financing projects to reduce the digital divide. If funds are not available, the countries of the South—whose primary problems still

center on accessing basic services (such as water, electricity, and health care)—face the risk of remaining permanently on the sidelines of the formidable progress that the new information and communication technologies are bringing in the form of innovation, knowledge sharing, growth, and sustainable development.

The challenge is building a collective awareness of and commitment to promoting the principles of solidarity between peoples and dialogue between civilizations, and also making the new information and communication technologies a strategic instrument for balanced development where no one is excluded.

Due to the successive changes in the environment in which they operate, our SAIs continually face new challenges. They will undoubtedly succeed in confronting the current challenges as their actions are guided by the essential values defined in INTOSAI's strategic plan.

Every SAI must, of course, first ensure that it is structured, organized, and equipped in order to succeed in its activities. Furthermore, it must upgrade its members' professionalism by means of internal training and internships. In addition, as members of INTOSAI, we have the obligation to consolidate our cooperation and solidarity to better share our knowledge and experiences.

In conclusion, it is clear that our assets as SAIs—our professionalism, our command of the new information and communication technologies, the pertinence of our observations and recommendations, and our capacity to convince—will enable us to achieve our long-standing mission. As partners of government managers, we have the privilege of helping to ensure good governance that addresses the needs of economy, efficiency, and effectiveness.

NEWS



Albania

New Chairman of the State Supreme Audit Institution Named

On October 28, 2004, the Albanian Parliament named Robert Çeku the new chairman of the State Supreme Audit Institution.



Mr. Robert Çeku

Mr. Çeku has extensive experience in government administration. He served as an economist on the Executive Committee in Tirana and held several positions in the taxes and duties department in the Ministry of Finance, including vice minister of finance and director general of taxes and duties. He was the chief financial officer in a state enterprise, the state secretary for tourism, and an adviser

to the SAI of Albania. He was also a Member of Parliament from 1996 through 1997 and 2001 through 2004. He was the primary author of Albania's first fiscal legislation and has written many studies on economics that have been published in Albania and abroad. He is a 1974 graduate of the Faculty of Economy (Finance) of Fan Noli University in Korça, Albania.

For additional information, contact: State Supreme Audit Institution, fax: ++355 (42) 324 91; e-mail: klsh@adn.net.al; Web site: <http://www.klsh.org.al>.

Australia

Report on Public Sector Agencies Issued

The Auditor-General's Office of Victoria (Australia) released its report on public sector agencies in August 2004. In its section on performance audits, the report asserts that providing robust advice to enable governments to make informed decisions on public policy issues is one of the public sector's most important responsibilities. In addition, the report states that the public sector is responsible for ensuring that advice provided to the government is unbiased and independent. The report contends that while a good process does not always guarantee that sound policy will be developed, poor processes will increase the risk of unsatisfactory policy development.

The auditor general's report considered the ways in which government departments developed well-researched, comprehensive policy briefs for government by reviewing eight policy development projects in three government departments. The report is available online at http://www.audit.vic.gov.au/reports_mp_psa/psa0903.html#3a.

For additional information, contact: Victorian Auditor-General's Office, fax: ++(61 3) 8601 7010; e-mail: comments@audit.vic.gov.au; Web site: www.audit.vic.gov.au.

Bhutan

International Anti-Corruption Day Commemorated

The Royal Audit Authority, the SAI of Bhutan, commemorated the nation's first International Anti-Corruption Day on December 9, 2004, the 1-year anniversary of the signing in Merida, Mexico, of the United Nations' Convention against Corruption.



The prime minister of Bhutan, Lyonpo Yeshey Zimba, at the International Anti-Corruption Day ceremony

His Excellency Lyonpo Yeshey Zimba, the prime minister of Bhutan, was the chief guest for the occasion, which was also attended by international dignitaries and senior government officials. The prime minister stated that the problem of corruption must be dealt with at all levels—from the individual to the country to the world. "It is the duty of every loyal citizen to fight corruption in all its manifestations," he affirmed.

To mark the event, the prime minister launched the fraud alert system that the Royal Audit Authority designed and placed on its Web site. The Royal Audit Authority had also organized an essay competition on the topic "Combating Corruption—A Collective Responsibility." The prime minister awarded prizes for the three best essays in two categories, and two of the winning essays were read aloud to the guests.

On the same day, the Royal Audit Authority sponsored a workshop, ASOSAI Guidelines for Dealing with Fraud and Corruption. The workshop was attended by senior officers from the Royal Audit Authority and internal auditors and lawyers from various government agencies, corporations, and the armed forces. The workshop's objective was to make agencies aware of the guidelines and give them the opportunity to make recommendations or amendments to the guidelines so that they can be used to deal with fraud and corruption in Bhutan.

For additional information, contact: Royal Audit Authority, fax: ++975 2 32 34 91; e-mail: raa@druknet.net.bt; Web site: <http://www.bhutanaudit.gov.bt>.

Canada

Government Response to Auditor General's Report

The auditor general of Canada's November 2003 report to Parliament, tabled in February 2004, included the results of a governmentwide audit of sponsorship, advertising, and public opinion research. This

report generated unprecedented attention for Canada's national audit office, and its impact continued to be felt over a year later.

Sponsorships were arrangements in which the government of Canada provided organizations with financial resources to support cultural and community events. In exchange, the organizations agreed to provide visibility at their events and on promotional material to encourage a positive perception of the government. In summary, the audit found that

- the sponsorship program had been run in a way that showed little regard for Parliament, the *Financial Administration Act*, contracting rules and regulations, transparency, and value for money;
- contracting rules in the management of the sponsorship program had been broken at every stage of the process; and
- public servants had also broken the rules in selecting communications agencies for the government's advertising activities.

The government agreed with the audit findings.

Once the report was made public, the new prime minister, Paul Martin, and some senior ministers announced numerous measures to address issues that it raised. In addition to quickly constituting the Public Accounts Committee to hold hearings, the prime minister launched a Commission of Inquiry, appointed a special counsel for financial recovery, and launched reviews of the *Financial Administration Act*, Crown corporation governance, and the responsibilities and accountabilities of ministers and public servants.

The public hearings by the Public Accounts Committee began shortly after the report was tabled and lasted several months. The auditor general testified several times before the

committee. The public hearings by the Commission of Inquiry began in September 2004. The auditor general and her team were the first to testify before the commission.

The report is available online at http://www.oag-bvg.gc.ca/domino/reports.nsf/html/03menu_e.html. For additional information, contact: Office of the Auditor General, fax: ++1 (613) 957-0474; e-mail: frasers@oag-bvg.gc.ca; Web site: <http://www.oag-bvg.gc.ca>.

European Court of Auditors

New President Elected

In January 2005, the members of the European Court of Auditors elected Hubert Weber as the 10th president of the court. Mr Weber's 3-year term of office as president started on January 16, 2005.



Mr. Hubert Weber

Mr. Weber, of Austrian nationality, has been a member of the Court of Auditors since March 1995. He served as dean of the audit group on external actions and was responsible for the audit sector dealing with cooperation with developing and third countries; he was also dean of the group responsible for the court's audit development and reports. Before joining the court, Mr. Weber had served with the Austrian Court of Audit since 1971. He was director general of the public enterprise audit division at (1990-1995), head of personnel (1981-1989), and head of the organizational unit of the INTOSAI secretariat general (1975-1980).

The president's role in the Court of Auditors is that of *primus inter pares* (first among equals). He is responsible for the effective and sound management of the Court's activities. He also represents the institution in its external relations, in particular with the other institutions of the European Union and the SAIs of the member states.

For Mr. Weber's detailed curriculum vitae and photographs, see http://www.eca.eu.int/eca/organisation/eca_organisation_president.htm. For additional information, contact: European Court of Auditors, External Relations Department, fax: ++(352) 4398-46430; e-mail: press@eca.eu.int; Web site: www.eca.eu.int.

Indonesia

New Chairman of the Audit Board Appointed

Anwar Nasution has been appointed chairman of the Audit Board of the Republic of Indonesia for the 2004-2009 period, replacing Satrio Budihardjo Joedono. The chairman and members of the seven-person board are elected by Parliament, appointed by presidential decree, and sworn in by the Chief Justice of the Supreme Court.



Mr. Anwar Nasution

Before his appointment, Anwar Nasution was the senior deputy governor of Bank Indonesia, the

nation's central bank. He has been a consultant to the International Monetary Fund, the World Bank, and the Asian Development Bank. He has published works on such issues as applied macro-economics, public finance, and management of capital inflows to emerging economies. He was a professor of economics and dean of the faculty of Economics at the University of Indonesia in Jakarta. From 1995 through 1996, he was a visiting professor at the World Institute for Development Economic Research of the United Nations University in Helsinki. He obtained a PhD in Economics from Tufts University in the United States and a master's degree from the Kennedy School of Government, Harvard University.

For more information, contact: Badan Pemeriksa Keuangan, fax: ++62-21-572-0944; e-mail: asosai@bpk.go.id.

Iran

New President of the Supreme Audit Court Appointed

Dr. Mohammad Reza Rahimi was officially appointed the new president of the Supreme Audit Court of Iran on November 1, 2004. Born in Ghorveh, Iran, in 1954, he studied law and obtained a PhD degree. He has extensive experience in a variety of governmental spheres.

Dr. Rahimi held a number of municipal posts in the cities of Ghorveh and Sanandadj, including those of public prosecutor and chairman of the city council, and was the governor of Kurdistan province. He served in Iran's Parliament, where he was a member of the board of governors of various committees and head of the Greece and Iran collaboration group.

In addition, Dr. Rahimi was president of the Iranian Athletics Federation, a member of the board of governors of the National Olympics Committee, and a member of the Asian Athletics Technical Committee. He was also counselor to the head of the Iranian judiciary and head of the Tehran Azad Law faculty.

For additional information, contact: Supreme Audit Court, fax: ++98 (21) 888 99 30; e-mail: pria@dmk.ir; Web site: <http://www.dmk.ir>.

Kazakhstan

Government Auditing Standards Approved

The Accounts Committee for Control over Execution of the Republican Budget, the SAI of the Republic of Kazakhstan, has developed and approved government auditing standards. The Kazakhstani standards were developed in accordance with INTOSAI's auditing standards.

The standards include general standards (independence, proficiency, publicity, and confidentiality), working standards (planning, supervision, evidence, and documentation), reporting standards, and management and quality control standards.

The standards are binding for government audit entities, internal audit units, contracted employees of other government entities, private auditing companies, and experts involved in audits.

To implement the standards and develop methodological materials in accordance with the budget code approved in April 2004 and the Accounts Committee's mandate, rules for external auditing and performance evaluation of government programs are being developed. Methodological recommendations on performance auditing have been developed and approved.

In addition, in 2005, the Accounts Committee plans to develop several methodological materials on important audit issues, testing them through pilot audits and presenting them to government audit entities.

For additional information, contact: Accounts Committee for Control over Execution of the Republican Budget, fax: ++7 (3172) 32 38 93; e-mail: esep_k@kazai.kz.

Latvia

New Auditor General Elected

The end of 2004 brought great changes to the State Audit Office (SAO) of the Republic of Latvia. Amendments to the State Audit Office law that took effect on December 20 shorten the auditor general's term of office from 7 to 4 years and stipulate that the same person may be elected to the post for two terms only. On December 22, 2004, the *Saeima* (Parliament) of the Republic of Latvia elected Inguna Sudraba as the auditor general for a 4-year term.

Ms. Sudraba is a graduate from the State University of Latvia, Department of Economics, and qualified as an economist in 1988. She received additional training at a number of international venues, including the Pew Economic Freedom Fellows Program at Georgetown University and the seminars on Fiscal Policy Management and Public Expenditures Analysis and Management at the Joint Vienna Institute.



Ms. Inguna Sudraba

Ms. Sudraba has extensive experience in the system of state administration and commercial banking sector. Before being elected auditor general, she worked in the Ministry of Finance for more than 10 years, where she helped to draft economic regulations and manage

the national budget process. Before Latvia's accession to the European Union (EU), Ms. Sudraba made a significant contribution to coordinating negotiations, including work on the budget control system, auditing the use of prestructural and structural funds, controlling resources, and protecting the EU's financial interests. In addition, as an administrator of the EU's SAPARD program, she worked on the accreditation and certification of the Rural Support Service and supervised this process in cooperation with international auditing companies.

The new auditor general's objective is to transform the SAO into a modern and efficient supreme audit institution that enjoys the confidence of society and international institutions. Since Latvia became an EU member state on May 1, 2004, the SAO, as the state's supreme external auditing institution, has had the responsibility to respond to significant changes in the audit environment. To ensure international recognition of its work, the SAO must be able to perform audits in accordance with international auditing standards and strengthen its quality control system. According to Ms. Sudraba, the SAO must progress more rapidly than other state institutions in these areas. Its first tasks will include creating a strong professional team and developing an efficient SAI structure. One of its audit priorities will be analyzing the expenditure of EU financial resources.

For additional information, contact: State Audit Office, fax: ++371 7017673; e-mail: lrvk@lrvk.gov.lv; Web site: www.lrvk.gov.lv.

Nepal

Submission of Annual Report and International Activities

In August 2004, Gehendra Nath Adhikary, the auditor of the Kingdom of Nepal, submitted the 41st annual audit report to the king of Nepal, as required by the constitution. The report was later tabled in Parliament.

The report addresses the audit of government offices, the court, the Royal Nepal Army, and the Nepal Police; the findings of performance audits; the reports of autonomous and corporate bodies; the certified financial statements; and the reports of local autonomous bodies.

The auditor general participated in several international audit activities in late 2004. In August, he attended an auditors general conference in Bangladesh organized jointly by the Office of the Comptroller and Auditor General of Bangladesh and the World Bank. The conference theme was harmonizing institutional efforts to promote accountability, and the event provided an opportunity to share experiences among SAIs and enhance performance, mutual understanding, and cooperation. In September, the auditor general led a four-member delegation on a visit to the National Audit Office of the People's Republic of China. During the visit, the team studied audit practices of the public and revenue sectors, the relationship of the audit office with the government and the Parliament, and experiences in environmental auditing. The visit strengthened cooperation and the exchange of ideas between the two SAIs.

For additional information, contact: Office of the Auditor General, fax: ++977-1-2262798; e-mail: oagnep@ntc.net.np.

Romania

Strengthening Cooperation between SAIs

During 2003 and 2004, the Romanian Court of Accounts increased its international activities in an effort to strengthen its collaborative relationships with other partner institutions. The court's senior management has always considered the exchange of experiences and opinions among SAIs to be extremely important and has made strengthening bilateral relationships a high priority.

In response to an invitation from Mr. Li Jinhua, auditor general of the China National Audit Office, a delegation from the Romanian Court of Accounts visited the People's Republic of China in September 2004. The visit was extremely fruitful and provided an excellent opportunity to build upon the discussions held between the two institutions in April 2004 when a delegation from the Chinese SAI, headed by the vice president Dong Dasheng, visited the Romanian Court of Accounts.

In Beijing, the presidents of the Chinese and Romanian SAIs discussed topics of mutual interest as well as opportunities for future cooperation and signed an

agreement on cooperation on September 6, 2004. Mr. Viorel Isticioaia Budura, the Romanian ambassador to China was present when the agreement was signed.

For additional information, contact: Court of Accounts, fax: ++40 (21) 307 88 75; e-mail: rei@rcc.ro; Web site: <http://www.rcc.ro>.

United States of America

Performance and Accountability Report Issued

The Government Accountability Office's (GAO) *Performance and Accountability Report* for fiscal year 2004, issued in November 2004, reports that GAO had a very successful year by almost any measure. "I believe that those who read this report will agree that the taxpayers received an excellent return on their investment in GAO," Comptroller General David Walker said in his introductory message.

GAO met or exceeded all but one of its key performance measures and exceeded or equaled all-time records for six of the seven key indicators. GAO's work led to financial benefits of \$44 billion—a return of \$95 for every dollar spent—as well as over 1,000 cases of improvements without a price tag that enhanced the quality of life for millions of Americans.

In addition to data on GAO's overall performance, the report highlights progress in meeting each of GAO's strategic goals. It also includes GAO's fiscal year 2004 financial statements, which received an unqualified opinion from its independent auditor, the 18th such opinion.

The report includes an overview of GAO's organization and management, summaries of key work performed by each team, significant financial and other accomplishments, and information about human capital and information technology initiatives.

The report is available online at www.gao.gov/cgi-bin/getrpt?GAO-05-



President Dr. Dan Drosu Saguna of Romania with Chinese Auditor General Li Jinhua shortly after signing the agreement on cooperation

62SP. To obtain a copy of the report, contact GAO, 441 G Street, NW, Room LM, Washington, D.C. 20548; fax: ++(202) 512-6061.

Asian Development Bank

New President Elected

In November 2004, Haruhiko Kuroda, Japan's former vice minister of finance for international affairs, was unanimously elected president of the Asian Development Bank (ADB) by its board of governors. Mr. Kuroda took over as ADB president on February 1, 2005, succeeding Tadao Chino, who announced his resignation in August 2004.



Mr. Haruhiko Kuroda

"It is a great honor to be elected president of ADB," said Mr. Kuroda. "I am determined that the bank should remain flexible in its approach to the many challenges facing its developing member countries. ADB must also continue to strive for greater effectiveness in its operations."

ADB is a multilateral development finance institution dedicated to reducing poverty in Asia and the Pacific. Established in 1966, it is owned by 63 members, mostly from the region, and has its headquarters in Manila.

In a career spanning nearly four decades, Mr. Kuroda represented Japan's Ministry of Finance in numerous senior positions. During his terms as director-general of the

international bureau and as vice minister of finance from 1997 through 2003, Mr. Kuroda helped design and implement the US\$30 billion Miyazawa Initiative—Japan's response to Asian economies hit by the 1997–1998 financial crisis. Under his leadership, Japan helped Asian nations establish a network of currency swap agreements (the Chiang Mai Initiative) to avert another crisis. As vice minister of finance for international affairs, Mr. Kuroda was responsible for policy planning, international coordination, and external representation. After retiring from the ministry in 2003, Mr. Kuroda was appointed special adviser to the cabinet of Prime Minister Koizumi on international monetary issues. He was also a professor at the graduate school of economics at Hitotsubashi University in Tokyo.

Mr. Kuroda holds a BA in law from the University of Tokyo and a master of philosophy in economics from Oxford University. He has authored several books on monetary policy, exchange rates, international finance policy coordination, international taxation, and international negotiations.

For additional information, contact: Asian Development Bank, fax: (63-2) 636-2444; e-mail: information@adb.org; Web site: www.adb.org.

International Federation of Accountants

New Public Member of International Auditing and Assurance Standards Board

In January 2005, Ms. Inga-Britt Ahlenius, auditor general of Kosovo and former auditor general of Sweden, was appointed to a 3-year term as one of the three public members of the International Auditing and Assurance Standards Board (IAASB). The IAASB is a standard-setting body designated by, and operating under the auspices of, the International Federation of Accountants (IFAC). Its objective is to

serve the public interest by setting high-quality auditing, assurance, quality control, and related services standards, and by facilitating the convergence of national and international standards to enhance the quality and uniformity of practice throughout the world and strengthen public confidence in the global auditing and assurance profession. Public members represent the public interest and contribute to the development of international auditing standards in general. Ms. Ahlenius will also provide specific public sector perspectives to auditing and assurance.

Ms. Ahlenius has extensive experience in both the public and private financial sectors. She has a degree in business administration from the Stockholm School of Economics and started her career in Sweden's largest commercial bank, Svenska Handelsbanken. Within the public sector, she held leading positions in the Swedish ministries of Commerce and Industry and Finance. From 1993 through 2003, Ms. Ahlenius was auditor general of Sweden. She has been auditor general of Kosovo since 2003.

Ms. Kelly Ånerud, from the Office of the Auditor General of Norway, will serve as technical advisor to Ms. Ahlenius.

For additional information, see the IAASB Web site: <http://www.ifac.org/IAASB>.

Guidelines on Audit Quality

By Jacek Mazur, PhD, Supreme Chamber of Control, Poland; János Révész, State Audit Office, Hungary; Brian Vella, National Audit Office, Malta; and Harry Havens, formerly U.S. Government Accountability Office

This article discusses newly developed guidelines on audit quality that set out specific measures that an SAI should take to ensure high quality in its audit work. These guidelines are applicable to all types of SAIs and all types of audits.

Background

Recently, concerns have arisen about the reliability of audit activity in the private sector. Since an SAI's work is, in many ways, comparable to that of a private firm, the heads of the former network of SAIs of Central and Eastern European countries, Cyprus, Malta, Turkey, and the European Court of Auditors (ECA)¹ agreed, at their annual meeting in Limassol, Cyprus, in 2001, that quality in the audit process should be discussed, studied, and reported upon.

The liaison officers of Hungary, Malta, and Poland (authors of this article) were appointed as an expert group for an initial study to

- identify the principles and requisites required in an audit institution to ensure that it is adequately organized in order to ensure effective audit work and reports of high quality;
- analyze the situation of participant SAIs vis-à-vis their quality control practices and procedures relating to audit planning, execution, and reporting; and
- identify good practices in an SAI to ensure high quality.

The expert group circulated a questionnaire in 2002 to obtain information about the state of quality management systems in participant countries and other advanced SAIs. Based on an analysis of replies, a report was completed and presented to the heads of SAIs at their Bucharest meeting in December 2002.

After discussing the report, the heads of SAIs extended the mandate of the expert group and requested that it prepare comprehensive and detailed guidelines on audit quality. Representatives of the French Court of Accounts—Anne-Marie Boutin and Christophe Perron—joined the expert group and contributed to the elaboration of the guidelines during 2003-2004.

SIGMA² (<http://www.sigmaweb.org>) was asked to provide technical support during both the preparation of the report and the elaboration of the guidelines. In particular, Nick Treen, SIGMA's Senior Advisor for Audit and Financial Control (Nicolasjohn.treen@oecd.org), made a valuable contribution as coordinator of the cooperation.

¹These 15 SAIs (Albania, Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, and Turkey) and the ECA formed a cooperative network in 1998 to assist with accession to the European Union. The network no longer exists in this form since 10 of these countries had joined the EU as of May 1, 2004.

²SIGMA is a joint initiative of the Organisation for Economic Co-operation and Development and the European Union, financed principally by the European Union. SIGMA participants included Nick Treen, Harry Havens, Bo Sandberg, Joop Vroljik, and Jens Piontek.

The guidelines on audit quality were presented at the last meeting of the heads of the former network of SAIs in Riga, Latvia, in April 2004. This body approved the document and recommended that it be forwarded to the Contact Committee of European Union (EU) SAIs and to the INTOSAI and EUROSAI general secretariats for their information and consideration. The Contact Committee of EU SAIs approved a slightly amended version of the guidelines during the annual meeting in Luxembourg in December 2004.

Overview of the Guidelines

The guidelines contain four sections:

- Section 1–Introduction,
- Section 2–Quality Control,
- Section 3–Quality Assurance, and
- Section 4–Institutional Management.

The guidelines are intended to apply to all SAIs, both courts and offices, and to all audits, both regularity and performance. However, the authors are well aware that wide variations exist within these categories of SAIs and audits.

Each guideline is accompanied by explanatory text to help the reader understand why that guideline is needed and what it seeks to accomplish.

Quality Control–“Hot Review”

Quality control is a process through which an SAI seeks to ensure that all phases of an audit (planning, execution, reporting, and follow-up) are carried out in compliance with the SAI’s rules, practices, and procedures.

A quality control system should ensure that audits are timely, comprehensive, adequately documented, and performed and reviewed by qualified staff. In this context, quality takes account of the following factors, among others:

- the significance and value of matters addressed in the audit;
- the objectivity and fairness of assessments and opinions;
- the scope and completeness of the planning and performance of the audit;
- the reliability and accuracy of findings, conclusions, and other matters presented in the audit report; and
- the effectiveness of the audit in terms of results and impacts achieved.

Direction, supervision, and review must be present in each phase of an audit to ensure quality. The qualifications and experience of the audit team should be considered in deciding the type and extent of direction, supervision, or review.

The selection and timing of audits may depend on

- priority, including legal requirements;
- financial and human resources available;
- the work of other auditors, such as internal auditors; and
- risk and materiality assessments.

The guidelines then set forth recommended procedures to be followed in audit planning, audit execution, audit reporting, and audit follow-up. Key points include the following:

- Audit planning should consider the number and skills of available staff; the time, financial and other resources, and external expertise available; and the risks that may be encountered. The plan should lay out the schedule, tasks, and responsible persons and should be reviewed by an experienced auditor.
- Audit execution should be performed in accordance with the approved plan. The individual performing each audit task should document that fact and the results. The principal auditor should review that documentation. The working papers should be organized to facilitate subsequent preparation and review of the audit report.
- Audit reports should be clear, timely, concise, and objective. All findings and conclusions must be supported by adequate, reliable, and fair audit evidence in the audit working papers. Proposed reports should be reviewed internally by experienced auditors who are independent of the audit and by the auditee. Auditee comments should receive fair consideration.
- Some time after a report is issued, the SAI should determine what action, if any, the auditee has taken to address problems raised in the audit.

Quality Assurance—“Cold Review”

Quality assurance is an assessment process focusing on the operation of the quality control system. It is a review completed after the audit by persons who are independent of the audit under review.

Quality assurance necessarily involves the examination of specific audits. However, the purpose of the review is not to criticize specific audits. Rather, it is to determine what controls were intended to be applied to those audits, how those controls were implemented, any gaps in the controls, and other ways of improving the audit quality system.

There are four main types of quality assurance:

- internal review,
- external review,
- peer review, and
- feedback from auditees

One approach to internal review is establishing a separate office, independent from the audit units, reporting directly to either the president in an audit office or the relevant collegium in a court of audit. Another possible approach is having staff members from different structural units, independent from the audit being reviewed, conducting reviews. In either case, the reviewer selects a sample of audits, examines them in detail, and reports the results along with recommendations for improvement.

In external review, a private audit firm might be asked to review a sample of attestation audits. A management consulting firm or academic experts could be asked to review selected performance audits.

Peer review assesses the extent to which an SAI meets international standards. Such a review generally involves experienced auditors from other SAIs. SIGMA has organized peer reviews of the SAIs in new EU member states and in candidate countries. Other peer reviews have resulted from agreements between particular SAIs or groups of SAIs.

The guidelines include checklists to facilitate internal, external, or peer reviews and to help ensure the comparability of assessments.

Feedback from auditees can help the SAI understand auditees' needs and expectations.

The guidelines recommend an annual quality assurance report for each SAI to sum up general findings and recommendations for improvement.

Institutional Management

The SAI's management is responsible for establishing, operating, maintaining, and improving the quality management system to ensure that the SAI is competently organized to deliver high-quality work, irrespective of the type of SAI and the type of audit it performs. It is also responsible for creating an environment conducive to consistent high quality and continuous improvement, requiring it to give high priority to

- managing human resources,
- managing institutional risks, and
- managing external relations

Individual auditors and managers play key roles in the performance of audits. SAIs should spend time, energy, and budgetary resources on managing their human resources. An essential element is a strategy for recruiting and selecting new staff members. The SAI should seek excellence in the people it employs, anticipate its future needs, and recruit staff to fill those needs.

SAIs should also provide effective training, including

- introductory training to help new arrivals adapt to the SAI,
- technical training to equip auditors with the skills to perform audit tasks,
- managerial training to allow employees to acquire skills to direct the work of audit units, and
- continuing education to ensure that auditors maintain and enhance their capabilities

An SAI should also give attention to the career development of its personnel through effective performance appraisal systems and individual development plans.

SAI management should allocate resources to minimize institutional risks. Not all audits are equally difficult and risky. Inappropriate management of those risks can undermine the SAI's credibility. The SAI's management should establish a procedure for assessing institutional risks that considers

- complexity of the audit,
- audit costs,
- controversy associated with the audit, and
- cooperation or resistance of the auditee.

To maximize its effectiveness, an SAI should establish good contacts and cooperate with Parliament and its committees, the Ministry of Finance and other line ministries, the media, and private sector auditors, among others. This requires a clear strategy in each case.

Annexes

The annexes include a list of reference documents received from international and national organizations. Also included is information on quality control for regularity audits by the International Federation of Accountants and for performance audits by INTOSAI, as well as the audit quality checklists noted previously.

Conclusion

Audit quality is an increasingly important issue and should be a useful area of exchange of national experiences. The authors hope that the guidelines on audit quality will facilitate future discussions of this issue.³

The guidelines are available in electronic format. For more information, contact the authors: reveszj@asz.hu, Jacek_Mazur@nik.gov.pl, brian.vella@gov.mt, or havensh@aol.com.

³For example, the 7th ASOSAI Research Project, Audit Quality Management System, which started in 2004 (see the ASOSAI Web page for details).

Harmonization in Overseas Audit Practices: A Joint Audit Approach to the Expenditure of Development Cooperation Funds

By Jeroen van Wingerde and Willem Voogd, Netherlands Court of Audit

In 2000, a group of like-minded European donors¹ committed themselves to working together to help eradicate global poverty by harmonizing and coordinating their aid programs. One of their main goals was easing the reporting burden on their partners in developing countries. In conjunction with this initiative, the SAIs of the same European donor countries started to discuss how they might harmonize their audit approach in situations where harmonized donor arrangements were in place. They called their project HOAP (Harmonization in Overseas Audit Practices).

By 2003, the donors, referred to as the Nordic+ group, had agreed upon a common framework for providing sectoral support, known as the harmonization in practice (HIP) approach, and Zambia was chosen as a pilot country. The HOAP SAIs² issued several recommendations to further develop the audit structure within the HIP framework. They also decided to link up with the Nordic+ pilot by developing and testing, in cooperation with the Zambian SAI, a common audit approach to one sector of harmonized aid funding. The SAIs of Norway, the Netherlands, and the United Kingdom took the lead in this pilot joint review and, with the support of the Zambian SAI, successfully tested it in November 2004.

Harmonization in Practice

In the HIP action plan, the Nordic+ group embraced the use of joint agreements between multiple donor countries and the recipient country to promote complementary and operational harmonization of development cooperation. These joint agreements result in diverse aid systems that depend upon the developing country's strength of governance, accounting and auditing systems, and record in managing its public finances. Direct sector support—known as the sector-wide approach (SWAP)—and direct budget support (DBS) have been identified as the preferred aid modalities.

With the growing tendency to use SWAPs and DBS, it is important that donor ministries obtain evidence of how the funds they have provided to recipient countries have been used. The donor ministry accounts must fairly present the flows of funds to recipient countries. If joint agreements are made between donor and developing countries using a common set of rules, audits on the expenditure of this money obviously also need to be harmonized.

¹Initially, the Ministers for Development Cooperation of Germany, Norway, the Netherlands, and the United Kingdom comprised this group. They were later joined by ministers from Denmark and Sweden.

²The HOAP group now includes the SAIs of Belgium, Canada, Denmark, Finland, Germany, Ireland, Norway, the Netherlands, Sweden, and the United Kingdom, as well as the European Court of Auditors.

The Role of the Local SAIs

SAIs are generally regarded as important elements in a country's accountability and good governance chain. Donor SAIs have traditionally placed great reliance on the local SAI's audit report in forming their opinions on whether donor ministries have obtained adequate evidence of the use of funds from donor countries. This is even more critical in cases of sectoral and direct budget support by donors when the funds of any individual country can no longer be tracked in the form of a specific project. It is therefore important to the donor countries that the local SAI's report, and the audit work supporting it, be adequate to meet the expectations of the parliaments of both the recipient and donor countries.

If donor countries want to rely on the work of local SAIs, these SAIs need to be involved in the development of the joint agreements as part of the auditing structure. This has not always been the case. Some former joint agreements have included audit assignments for local SAIs without their concurrence or even their knowledge. Being obligated to carry out audits on donor funding infringes upon the local SAIs' independence. It may even result in directing efforts away from important audits of locally financed activities or entities, as the total audits that can be carried out are dependent upon the SAI's available resources. Therefore, the local SAI must have a prominent role in the accountability and good governance chain of donor-funded initiatives.

Harmonization in Overseas Audit Practices

The HOAP initiative grew out of the recognition that coordination can reduce the audit burden and improve the accountability for public funds in both recipient and donor countries. For recipient countries, it offers a potentially less time-consuming alternative to multiple donor reviews of the same evidence. For donor countries and especially the donor SAIs, the approach offers a more effective and efficient way of satisfying their audit objectives in relation to the accounts of the donor ministries.

The basic idea behind the HOAP approach is that one team carries out an audit on behalf of all the concerned donor SAIs. This team can be composed of one or several SAIs. For such a single audit approach to work, the donor SAIs need to agree upon a common audit standard and, most importantly, the recipient country SAI must agree to cooperate. For the past few years, the HOAP SAIs have been working on such a common audit approach. Representatives of the Zambian SAI, the World Bank, and the Organisation for Economic Co-operation and Development (OECD) have participated in meetings as observers.

Figure 1 summarizes the framework within which the HOAP approach is to be carried out.

3. Examination of the local SAI's work.

The donor SAI team examines the audit report by the local SAI (or another independent auditor) covering income and expenditure under the DBS or SWAP. To form an opinion on whether the audit report has been properly prepared so that reliance can be placed upon it, the team uses a questionnaire based on the International Federation of Accountants' International Auditing Standard "Using the Work of Another Auditor." The local SAI fills in the questionnaire, and the results are discussed with the donor SAI team. There is no need to duplicate the audit the local SAI has already completed. Although donors and their SAIs do not have a right to access the local SAI's working papers, the local SAI may be willing to discuss its audit approach with the review team and give insight into its working papers.

4. Discussion with aid recipients.

In addition to reviewing the monitoring reports, the financial statements, the local SAI's audit report, and information on any actions the ministry has taken on the issues raised by the local SAI, the donor SAI team may want to gather more information from key aid recipients. A representative of the local SAI and the embassy should be invited to attend any meetings held to gather this information.

5. Forming an opinion and reporting.

The review team reports its observations and audit conclusions to the other donor SAIs and sends a copy of the report to the local SAI. In the report, the donor SAI team gives an opinion on whether there is sufficient relevant information to confirm that grants made by partner organizations under a DBS or SWAP arrangement have been used for the agreed-upon purposes. If necessary, the long version of the report may include observations and recommendations on the ministry accounts, the work of the local SAI, or donor monitoring.

All the donor SAIs are encouraged to share the opinion with their donor organizations. However, each donor SAI is free to determine whether there is sufficient evidence, within the context of its own country's auditing and reporting requirements, to provide assurance to its parliament. It is theoretically possible that donors may disagree about whether there was sufficient evidence that grants have been properly spent.

Lessons Learned in the Zambia Pilot Review

In 2003, seven donor countries and the Zambian government agreed on a SWAP arrangement for the education sector. For this reason—and because there was a history of good cooperation between the Office of the Auditor General of Zambia (OAGZ) and several HOAP group members—Zambia was chosen as a pilot for the HOAP approach. In November 2004, a joint team drawn from the audit offices of the Netherlands, the United Kingdom, and Norway performed the audit. The goals of the audit were to

- test the HOAP approach,
- express an audit opinion on the education SWAP 2003 (a regularity audit of actual expenditure), and
- advise the NORDIC+ group so that its members could refine and adjust their aid program in Zambia.

From the outset, the work in Zambia was recognized as both groundbreaking and innovative. The pilot showed that the HOAP approach is workable and that a group of independently minded SAIs can work together to produce a common audit report. The enthusiastic support and input of the OAGZ and personal commitment of the auditor general were critical elements in the review's success. Local representatives from donor organizations and the Ministry of Education also provided significant support and backup for the review.



Source: R.Ball, U.K. National Audit Office

The pilot review team with Zambian colleagues in Lusaka, Zambia.

The review team identified the following key elements in the success of the methodology used in the pilot audit:

- The pilot team and the OAGZ agreed upon a common approach to the review.
- Working with the OAGZ provided opportunities for the review team and OAGZ to discuss audit experiences and practices.
- The HOAP approach was a good basis for the audit opinion, and the other donor SAIs agreed with the audit report's conclusions and observations.
- Individual members of the NORDIC+ group welcomed the observations to refine and adjust their aid program for Zambia.

Next Steps in HOAP

The next challenge for the HOAP group is to test the methodology in other countries and extend the audit to cover multi-donor DBS arrangements—where evidence of the use of DBS grants will inevitably be more complex to assess. In the future, the HOAP group's experience in auditing SWAPS and DBS could help to support the design of new funding agreements that anticipate and, wherever possible, avoid potential problems related to providing evidence on the use of grants. In this respect, the

separation of roles between the donor ministries and the SAIs of donor countries must be maintained.

In their recent meeting in Copenhagen in February 2005, the HOAP group agreed to carry out a second review in a new country. If the next review is as successful as the review in Zambia, the next step would be to institutionalize the approach within INTOSAI so that it can be applied by SAIs worldwide. Recent developments, such as the proposed cooperation between SAIs on the audit of funds linked to the tsunami relief efforts, could also benefit from such a common methodology.

As members of the HOAP group, we are enthusiastic about the developments to date and hope that others will join us in this groundbreaking initiative. Let us work together to develop efficient and sound audit methodologies of mutual benefit to all concerned.

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The next meeting of the HOAP group is planned for September 2005 in the United Kingdom. The U.K. National Audit Office has agreed to provide the secretariat for this meeting. Please contact Robin Ball (robin.ball@nao.gsi.gov.uk) for additional meeting information.

Auditing Peru's Cultural Heritage Assets

By Luis Arriola Acuña and Ana Teresa Pantoja Urizar-Garfías, Office of the Comptroller General of the Republic of Peru.

Peru is a country rich not only in the diversity of its natural resources, but also in the multicultural heritage represented by its paleontological, archaeological and historical artifacts. Its heritage is also reflected in its living contemporary culture—expressed through dance, music, languages, and culinary arts—and the manifestations of identity, culture, experiences, and customs found in the country's different regions and ecological zones: the desert, the Andes Mountains, and the rainforests of Amazonia.

Peru's National Institute for Culture has defined our country's cultural heritage as the tangible and intangible assets that our ancestors have left to us over the centuries. These assets help us forge an identity as a nation and enable us to know who we are and where we have come from, thus allowing us to strengthen our personal and societal development. The state has a special responsibility to protect these assets so that they can be admired, valued, and used in a sustainable way by today's citizens and maintained for future generations.

According to UNESCO, culture and development cannot be separated, either in terms of economic growth or as a means of access to a satisfactory intellectual, affective, moral, and spiritual existence. Development involves the capabilities that allow groups, communities, and nations to plan their futures in an integral and integrated way. Thus, culture can be seen as a cross-cutting factor in economic, social, and environmental development.

The illegal trade in cultural assets is an ever present enemy of Peru's cultural heritage. It includes the buying and selling of archaeological, artistic, or historical artifacts and objects (most of them stolen from archaeological sites, churches, and temples in towns such as Cuzco, Puno, and Huancayo), even though such trade is prohibited by law. The principal offenses connected with this illicit trade in cultural objects are black-market trading and taking goods out of the country without authorization. As many experts have observed, this illegal trade would not exist if there were not a market for the goods, primarily composed of unscrupulous wealthy collectors in Peru and abroad.

In this context, the Peruvian Congress passed a law giving the comptroller general of the Republic of Peru the authority to carry out audits of the environment, natural resources, and cultural heritage assets. In order to carry out these audits, the government's cultural policy must be explained and specific tools must be developed to enable government institutions to implement the policy at the national, regional, and local levels in accordance with the powers granted by law. However, there is an inherent risk that these policies will not be viable for the public institutions responsible for cultural affairs because of the limited financial resources assigned to strengthening their management capabilities and promoting effective action.

Inventory, Registration, and Cataloging

Cultural heritage audits evaluate the way in which the public sector manages three operations fundamental to preserving the assets that constitute the cultural heritage: inventory, registration, and cataloging. These three operations are phases of a dynamic, specialized, technical process that makes it possible to clearly identify the features, condition, and location of a specific cultural heritage asset. This process contributes to the knowledge of each asset's origin and history and any changes it has undergone, helps prevent its loss, and, where necessary, helps facilitate its recovery, even on an international level. These three operations are applicable to our archaeological, historical, and contemporary cultural heritage.

Because of decentralization in Peru, regional governments and local municipal authorities have now assumed many functions relating to the preservation of cultural heritage assets. This adds to the complexity of the audits since numerous participants are involved.

Cultural Heritage Audit in the Lake Titicaca Area

In 2002, the SAI of Peru began to incorporate the cultural heritage variable when planning its environmental audits, giving rise to the environmental and cultural heritage audit. This effort was prompted by current legislation and the presence of many archaeological sites and cultural manifestations linked to the country's cultural heritage. The first of these audits was in the area of Lake Titicaca, the world's highest navigable lake (situated at 3,800 meters—12,500 feet—above sea level) and the cradle of the Inca and earlier Tiahuanaco civilizations. Several population centers and communities in the area have preserved their centuries-old culture.

Based on its initial experience, the SAI of Peru determined that these audits should be similar to management audits, linked to the three “Es”—efficiency, economy, and effectiveness—with a minimum of regularity auditing procedures, which would allow the SAI to assess the degree of compliance with legislation. Table 1 summarizes the results of this initial audit effort.

Table 1: Environmental and Cultural Heritage Audits in the Lake Titicaca Area

Audit title	Audits undertaken/ reports issued	Principal observations/ outcomes
Audit of Environmental and Cultural Heritage Management in the Lake Titicaca Basin (Peru)	<ul style="list-style-type: none"> • Five environmental audits and one cultural heritage audit • Six individual reports and one general report consolidating the environmental and cultural heritage situation in the Lake Titicaca basin 	<ul style="list-style-type: none"> • Updating the inventory and cataloging the cultural heritage of the city of Puno • Strengthening intersectoral coordination • Explaining the institutional environmental policy • Treatment of wastewater discharged directly into the lake

Cultural Heritage Audits in 2003

In 2003, the SAI of Peru carried out environmental and cultural heritage audits in three environmental and cultural areas: the Chan Chan Archaeological Zone, the historic sanctuary of Machu Picchu, and the Río Abiseo National Park. This effort encompassed 14 audits of government institutions.

Chan Chan, the capital of the Chimú (pre-Inca) kingdom, reached its zenith in the 15th century and was the largest city in pre-Columbian Latin America. It was also the largest adobe city in Latin America, and its layout reflects a political and social strategy marked by the city's division into nine citadels or palaces forming autonomous units. It meets the cultural criteria of a UNESCO World Heritage site and provides exceptional testimony of a vanished civilization.

The historic sanctuary of Machu Picchu is one of the two World Heritage sites in Peru that meet both the cultural and natural selection criteria. It is situated at an altitude of 2,430 meters (7,972 feet) above sea level in surroundings of outstanding natural beauty. In relation to the cultural criteria, this archaeological site was founded by the Tawantinsuyu (Incas) and is thought to have been a royal residence. It is considered a masterpiece of human creative genius and the most splendid urban creation of the Tawantinsuyu. As a natural asset, it is an outstanding example of the evolution and development of terrestrial, freshwater, coastal, and marine ecosystems and their animal and plant communities.

The Río Abiseo National Park is the second location UNESCO declared a World Heritage site on natural and cultural grounds. The park is designed to protect a representative sample of the cloud forests and high rainforests, conserve the cultural resources—in particular, the Gran Pajatén and Los Pinchudos archaeological complex—and preserve its scenic beauty and the species of flora and fauna in their natural state.

A summary of these audits is shown in table 2.

Table 2: 2003 Environmental and Cultural Heritage Audits

Audit title	Audits undertaken/ reports issued	Principal observations/ outcomes
Audit of Environmental and Cultural Heritage Management of the Chan Chan Archaeological Zone (La Libertad–Peru)	<ul style="list-style-type: none"> • Five environmental audits and one cultural heritage audit • Six reports on six entities and one general report consolidating the environmental and cultural aspects of the archaeological zone 	<ul style="list-style-type: none"> • Strengthening control and supervision of activities related to the protection and conservation of the archaeological zone • Control and monitoring of underground and surface waters and the dangerous elevation of the water table for the adobe construction • Strengthening the organizational structure and intersectoral coordination • Implementing an institutional environmental and cultural heritage policy
Audit of Environmental and Cultural Heritage Management of the Historic Sanctuary of Machu Picchu (Cuzco–Peru)	<ul style="list-style-type: none"> • Five environmental audits and one cultural heritage audit • Six reports on six entities and one general report consolidating the environmental and cultural aspects of the sanctuary 	<ul style="list-style-type: none"> • Drawing up the master management plan for the site, incorporating geological and drainage aspects • Formulating the intervention plan for critical areas • Drawing up a legal and technical report on recovering archaeological goods • Updating the master plan for the historic sanctuary of Machu Picchu • Completing the legal and physical repair of Machu Picchu • Drawing up the public use plan for tourism • Implementing measures to avoid the introduction of nonnative species
Audit of Environmental and Cultural Heritage Management in the Río Abiseo National Park (Moyobamba-Peru)	<ul style="list-style-type: none"> • One environmental audit and one cultural heritage audit • Two reports on two entities and one general report consolidating the environmental and cultural issues affecting the park 	<ul style="list-style-type: none"> • Drawing up an integral plan to identify factors causing deterioration and work to be undertaken on research, preservation, conservation, valuation, and dissemination of the cultural and archaeological heritage. • Formulation, approval, and development of strategic alliances

The SAI of Peru has been developing systematic guidance to implement cultural heritage management audits. As demonstrated in the reports, the audits have made it possible to implement recommendations improving the management of those government institutions charged with overseeing the nation's environmental and cultural heritage work. These audits are being replicated in urban and rural areas where cultural assets are being removed and plundered and also in areas that are critical because of potential environmental pollution. All these efforts are designed to defend and protect biodiversity and the nation's cultural heritage while promoting the general welfare of the population through economic, social, environmental, and cultural development. In the end, this will also advance the necessary sustainable development of the country.

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Audit Profile: National Audit Authority of Cambodia

By Chan Tani, Secretary-General of Cambodia

In 1996, the Asian Development Bank funded a technical assistance project to help draft Cambodia's Law on Audit, which was subsequently approved by the National Assembly in March 2000. The National Audit Authority (NAA) began operations in early 2002 and, since that time, has continued to receive significant assistance from the Asian Development Bank. In April 2003, the Federal Republic of Germany assigned an audit consultant to work with the NAA for 2 years, and in 2004 the World Bank sponsored the participation of two NAA auditors in the 2004 International Auditor Fellowship Program organized by the U.S. Government Accountability Office (GAO). These efforts, along with other overseas professional training courses, greatly contributed to capacity building in the NAA and enhanced its ability to perform its audit work effectively. NAA became a member of INTOSAI in December 2002 and a member of ASOSAI in March 2004.

Legal Authority and Independence

Under article 18 of the Law on Audit of the Kingdom of Cambodia, the auditor-general and the two deputy auditors-general are to be appointed by royal decree on the recommendation of the royal government and approved by a two-thirds majority of members of the National Assembly.

The auditor-general and deputy auditors-general are appointed for 5-year terms and may be reappointed for an additional term. If the auditor-general or a deputy auditor-general dies, resigns, becomes disabled, or commits a serious mistake, a new auditor-general or deputy auditor-general will be appointed under the terms and conditions stated in the Law on Audit of the Kingdom of Cambodia.

The NAA is an independent public entity with its own separate budget provided from the national budget. Its revenues and expenditures are governed by the financial system of law. The NAA reports directly to the National Assembly, Senate, and royal government for information purposes.

Organization

The auditor-general and two deputy auditors-general govern the NAA, which consists of the Secretariat General, the Administration and Finance Department, the Technical Department, and three audit departments.

The **Secretariat-General** is responsible for (1) planning, coordinating, and monitoring the work of the departments and preparing final audit reports, (2) defining policies, objectives, and goals and following up on implementation, (3) proposing staff promotions and determining salaries, fringe benefits, payments and bonuses, and (4) coordinating with national and international institutions.

The **Administration and Finance Department** is responsible for handling administrative work, personnel, protocols, security, logistics, and payroll.

The **Technical Department** is responsible for research and development, litigation, the library, information technology, and training.

The **three audit departments** are responsible for auditing ministries; institutions; agencies; authorities; the national bank; state financial institutions; state and private sector joint-venture financial institutions; public enterprises; public establishments; municipal, provincial, and local government offices; contractors; suppliers of goods and services to the government under contracts; and other organizations receiving financial assistance and concessions from the government.

Mandate

Under the Law on Audit of the Kingdom of Cambodia, the NAA has authority to audit all the ministries, institutions, and entities mentioned in the preceding paragraph. In performing its work, the NAA conducts compliance, financial, and performance audits at its own initiative or at the request of the Finance and Banking Commission of the National Assembly, the National Assembly, the Senate, ministries, and institutions or authorities. The auditor-general may conduct special request audits at his/her discretion.

Under the Law on Audit, auditors have full and free access to documents, reports, or properties belonging to audited entities. Any authorized official who obtains information directly or indirectly during the fulfillment of his/her work must not disclose, divulge, or leak that information to the public.

Reporting

At the completion of each audit assignment, the auditor-general sends a draft audit report to the head of the audited entity. Reports address any irregularities found in the accounting records, monetary or public assets, and financial management of the entity. If the head of the audited entity responds in writing to the auditor-general within 28 days of receiving the draft report, the auditor-general considers the comments before preparing a final audit report. Otherwise, the draft audit report is considered final. This audit report is submitted to the National Assembly, the Senate, the Council of Ministers, and the Ministry of Economy and Finance.

The auditor-general reports regularly to the National Assembly and the Senate on any problem arising from the conduct of his/her audit duties.

Staff

In order to achieve its mission and attain a high level of output, the NAA has devoted considerable attention to staffing. Currently, 153 out of 196 employees are auditors recruited from various ministries and universities. Auditors must hold at least a bachelor's degree.

In addition, the NAA is currently receiving technical assistance from two external consultants, one from Germany and the other from the Asian Development Bank.

Future Prospects

The NAA has placed a priority on capacity building for its staff and strengthening the quality of its audit work. Its strategic plan for the coming years focuses on

- conducting professional training for the audit staff;
- establishing auditing standards, audit manuals, and audit guidelines; and
- standardizing audit processes and procedures.

For more information, contact the National Audit Authority, #16, Street 240, Sangkat Chak Tomuk, Khan Daun Penh, Phnom Penh, Cambodia; tel/fax: ++(855-23) 215 320; e-mail: ctani@naa.gov.kh.

Reports in Print

The U.S. Government Accountability Office (GAO) has recently issued its 2005 *High-Risk Series: An Update* report (GAO-05-207). GAO's audits and evaluations identify federal programs and operations that, in some cases, are high risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement. Since 1990, GAO has periodically reported on government operations that it has designated as "high risk." This 2005 update presents the status of previously identified high-risk areas and four new areas warranting attention by the U.S. Congress and administration. Lasting solutions to high-risk problems offer the potential to save billions of dollars, dramatically improve services to the public, strengthen confidence and trust in the performance and accountability of the government, and ensure the ability of government to deliver on its promises. The report is available online at www.gao.gov/cgi-bin/getrpt?GAO-05-207. For a copy of the printed report, contact: GAO, 441 G Street, NW, Room LM, Washington, D.C. 20548, USA; fax: ++(202) 512-6061; Web site: www.gao.gov.

The Antifraud Programs and Controls Task Force of the American Institute of Certified Public Accountants (AICPA) recently issued new guidance for audit committee oversight. The guidance, *Management Override of Internal Controls: The Achilles' Heel of Fraud Prevention—The Audit Committee and Oversight of Financial Reporting*, offers assistance to audit committees in addressing the risk of fraud through management override of internal control over financial reporting. By effectively overseeing management and addressing the risk of management override, audit committees increase the likelihood of preventing, deterring, and detecting fraudulent financial reporting.

The guidance is organized into three major components (Management

Override and the Audit Committee's Responsibilities, Actions to Address the Risk of Management Override of Internal Controls, and Suggested Audit Committee Procedures: Strengthening Knowledge of the Business and Related Financial Statement Risks). It includes direction for audit committees on

- maintaining an appropriate level of skepticism;
- strengthening committee understanding of business;
- brainstorming to identify fraud risks;
- using the code of conduct to assess the financial reporting culture;
- cultivating a vigorous whistleblower program; and
- developing a broad information and feedback network including communications with internal auditors, independent auditors, the compensation committee, and key employees.

The guidance document can be downloaded from the AICPA's Web site, www.aicpa.org/audcommctr/spotlight/achilles_heel.htm.

The World Bank publishes an annual report on world development that provides a guide to the economic, social, and environmental state of the world today. Each report provides an in-depth analysis of a specific aspect of development. The 2005 report is entitled *World Development Report 2005: A Better Investment Climate for Everyone*. It argues that improving the investment climate of society should be a top priority for governments and focuses on what governments can do to improve the investment climates of their societies to increase growth and reduce poverty. Drawing on surveys of nearly 30,000 companies in 53 countries, country case studies, and other new research, the report explores questions such as the following:

- What are the key features of a good investment climate, and

how do they influence growth and poverty?

- What can governments do to improve their investment climates, and how can they go about tackling such a broad agenda?
- What has been learned about good practices in the main areas of investment climate?
- What role might selective interventions and international arrangements play in improving the investment climate?
- What can the international community do to help developing countries improve the investment climates of their societies?

In addition to detailed chapters exploring these and related issues, the report contains selected data from the World Bank's new program of investment climate surveys, the Bank's Doing Business database, and world development indicators—an appendix of economic and social data from over 200 countries. The 2005 report and previous reports are available online at <http://econ.worldbank.org/wdr/>. To order a copy of the report, contact: The World Bank, P.O. Box 960, Herndon, VA 20172-0960, U.S.A.; email: books@worldbank.org.



Auditing Standards Committee

Through the *Journal*, the INTOSAI Auditing Standards Committee (ASC) regularly updates the INTOSAI community on progress being made in the development of financial audit guidelines. The work is carried out in close cooperation with the International Federation of Accountants' (IFAC) International Auditing and Assurance Standards Board (IAASB) with the aim of including public sector considerations in the International Standards on Auditing (ISA).

For more detailed and regularly updated information regarding this work or the standards, please visit the INTOSAI Auditing Standards Committee's Web site: www.rigsrevisionen.dk/asc or the IFAC Web site: www.ifac.org. Draft ISAs are regularly published on the IFAC Web site for an exposure period, and all parties are welcome to comment on the drafts.

Work in Progress on ISAs

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

ISA 230 – Documentation

- Expert: Ms. Kelly Ånerud, Norway
- Back-office experts: Mr. John Fretwell, United States; Mr. Inge Danielsson, Sweden
- Final version expected in September 2005 and Practice Note due in June 2006.

ISA 701 – Modifications to the Auditor's Report

- Expert: Ms. Bettina Jacobsen, Denmark
- Back-office experts: Ms. Mary Radford, United Kingdom; Ms. Marcia Buchanan, United States
- Final version expected in March 2006 and Practice Note due in December 2006

ISA 260 – Communications with Those Charged with Governance

- Expert: Ms. Tove Myklebust, Norway
- Back-office experts: Mr. Filip Cassel, Sweden; Mr. John Fretwell, United States
- Final version expected in December 2005 and Practice Note due in September 2006

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

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

ISA 550 – Related Parties

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

ISA 580 – Management Representation

- Expert: Ms. Vijaya Moorthy, India
- Back-office experts: Mr. Martin Garrido, Chile; Mr. Ennio Colasanti, Italy

Work in Progress on Practice Notes

ISA 240 – The Auditor’s Responsibility to Consider Fraud and Error in an Audit of Financial Statements: Mr. Leif Egil Berland, Norway.

Exposure Draft of Practice Note 240 to the INTOSAI community for comments, expected in March 2005.

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

Work in Progress on New ISA Projects

ISA 620 – Using the Work of an Expert - IAASB approved a project to revise ISA 620 at its meeting in December 2004. The project secretariat is in the process of nominating an expert and back-office experts for this project.

For further information, please contact the project secretariat or the chair of the ASC’s Working Group on Financial Audit Guidelines: projectsecretariat@riksrevisionen.se.



IDI Update

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

IDI Welcomes New International Staff Members

IDI staff includes secondees from SAIs around the world. During 2005, two of the current secondees—Kiyoshi Okamoto (Japan) and Patrick Callaghan (United Kingdom)—will end their time with IDI, following in the footsteps of Karin Kuller (Estonia), who left at the end of 2004. In January and February 2005, IDI welcomed the latest secondees. Abdelhakim Ben Lazre, from the SAI of Tunisia, will be program manager for ARABOSAI and French-speaking Africa. Archana P. Shirsat and Pritom Phookun, from the SAI of India, will also be program managers. Ms. Shirsat will oversee developments in AFROSAI-E, CAROSAI, and EUROSAI and will manage IDI's e-learning program. Mr. Phookun will manage programs in ASOSAI and SPASAI.

Increasing the Pools of Regional Training Specialists

As reported in the January 2005 edition of the *Journal*, both OLACEFS and Sub-Saharan Francophone African SAIs are partnering with IDI to increase their regional pools of training specialists. Toward this end, a comprehensive 7-week Course Design and Instructional Techniques Workshop (CDITW), funded by IDI, took place in Ecuador in February-March 2005 for OLACEFS participants. The main course design theme for the workshop was the audit of public works. The CDITW for Sub-Saharan Francophone African SAIs will be held in Benin in May-June 2005, and the principle design theme in that workshop will be performance auditing.

Completion of the EUROSAI Long Term Training Program (LTTP) Phase 2

The EUROSAI LTTP Phase 2 was completed on March 18, 2005, at the conclusion of a Regional Audit Workshop (RAW) in Latvia. Russian and English sessions of the RAW were conducted simultaneously, with 32 participants in the Russian-language workshop and 24 in the English-language workshop. Each workshop was split into two parts, with 8 training days devoted to an introductory course on performance auditing and 2 days on fraud awareness. Instructors for both workshops came from SAIs in Eastern Europe and Central Asia and were supported by subject matter experts from Russia and the United Kingdom. All the elements of the EUROSAI LTTP Phase 2, including the train-the-trainers workshops, were delivered simultaneously in English and Russian.

IDI Strategic Planning

IDI's current strategic plan expires at the end of 2006, and development of a new plan began in Hungary in March 2005. As part of its annual meeting, the IDI Board—the owners of the new plan—discussed IDI's mission and vision and agreed on the process for developing a new plan. Further information on the new strategic plan will be provided in future editions of the *Journal*.

Liaison with the INTOSAI Standing Committee on IT Auditing

At the end of April 2005, IDI will attend the annual meeting of the INTOSAI Standing Committee on IT Auditing in Bhutan. IDI and the committee will discuss ways they can cooperate to meet the demand within INTOSAI for training and capacity-building activities in IT and IT auditing. In 2004, IDI surveyed SAIs in developing and emerging countries on four subjects covered by INTOSAI standing committees and working groups. The results of the survey clearly indicated a strong demand for IT-related training.

Collaborative Environmental Audit

Building on the success of the IDI Environmental Auditing Workshop (Kenya, February 2004), five members of AFROSAI-E (Ethiopia, Ghana, Kenya, Mauritius, and South Africa) and one member of SPASAI (Fiji) are conducting a pilot collaborative audit on waste management. Regional experts from South Africa and the chair of the INTOSAI Working Group on Environmental Auditing are providing subject matter expertise. The audit report will be presented at the inauguration of AFROSAI-E in April 2005, with local reports expected to be published later this year.

Contacting IDI

All IDI telephone and fax numbers changed effective March 1, 2005. The new office telephone number is +47 21 54 08 10, and the new fax number is +47 21 54 08 50. New personal numbers for IDI staff are available online at the IDI Web site: www.idi.no.

To discuss any of the issues raised in this edition of IDI Update, please contact IDI by telephone at +47 21 54 08 10 or e-mail at idi@idi.no.

INTOSAI 2005 - 2006 Events

April

- 4-7 Environmental Audit Committee meeting, Czech Republic
- 14-15 Task Force on the Audit of International Institutions, Denmark
- 27-29 14th meeting of the INTOSAI Standing Committee on IT, Bhutan

July

- 25-29 AFROSAI Congress, Cote d'Ivoire

October

- TBD SPASAI Congress, New Caledonia

January 2006

May

- 2- June 17 IDI/CREFIAP Course Design and Instructional Techniques Workshop, Benin
- 30- June 2 EUROSAI Congress, Bonn, Germany

August

November

- 10-11 INTOSAI Governing Board Annual Meeting, Vienna, Austria

February

June

- TBD Public Debt Committee Moscow, Russia

September

- TBD Working Group on Financial Audit Guidelines, Norway
- TBD Working Group on Compliance Auditing, Norway
- TBD Audit Standards Committee, Norway

December

March

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.