

INTOSAI



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 e-mail: intosaijournal@gao.gov)

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

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by Sveinn Arason, Auditor General of Iceland

The Icelandic National Audit Office (INAO) is an autonomous monitoring body operating under the auspices of the Althingi, Iceland's Parliament. Its main role is to audit the financial statements of central government entities, carry out performance audits, monitor budget execution, and promote improvements in public financial management and the use of public funds. By year-end 2012, there were 42 employees working at the INAO, a reduction of 5 over the course of the year due to budgetary constraints. It should be kept in mind that Iceland, with its population of 320,000, is one of the most sparsely populated countries in Europe.

The Collapse of Iceland's Banks in 2008

Before the crisis caused by the collapse of the country's three largest banks in the autumn of 2008, Iceland's fiscal health was quite good. The country had a budget surplus, and significant amounts were set aside into the government employee pension system. Also, a large proportion of central government debt had been repaid; by the end of 2007, the debt level was approximately 44 percent of GDP (and none if government monetary assets were deducted). After the advent of the crisis, the measures the government employed initially to aid the banking system and afterwards when such attempts failed to sort out the resulting mess had an enormous impact on the operations and financial position of the country.

Following the collapse of the banking system, government revenues plummeted and, at the same time, expenditures sharply increased. This resulted in budget deficits and debt accumulation. Capital controls were introduced, and the government was forced to turn to the International Monetary Fund, the Nordic countries, and Poland for foreign

Editorial

loans to shore up Iceland's foreign exchange reserves and avoid defaulting on existing loans. By the end of 2011, central government debts amounted to 118 percent of GDP. Budget deficits have been substantial since 2008 but have decreased year by year as taxes have been raised and austerity measures to cut spending have been introduced. The crisis has also greatly influenced public debate and the attitude and trust of the general public towards financial institutions and their monitoring bodies—such as the Financial Supervisory Authority and the Central Bank—the cabinet, and the Althingi.

Financial Audit in the Wake of the Crisis

The spending limits of most government bodies have been reduced to cope with the fiscal gap and are now seldom raised by supplementary budgets later in the year. These cutbacks have led many public bodies to restructure their operations to make them more economical and efficient. Reforms of this kind have enabled many agencies to continue providing acceptable levels of service. Managers have been encouraged to think innovatively about how to make the best use of their budgets and this is more and more reflected in the way projects are prioritized. This is an achievement in itself and should be maintained and firmly established. However, large cutbacks will, in the long term, inevitably lead to reductions in the number of employees and reduced services.

Experience tells us there is an added risk of fraud and financial irregularities when public bodies and their employees face financial difficulties. Auditing needs to take this into account and increase its focus on risk analysis and risk assessments in this area. The INAO has brought this issue to the attention of managers of departments and public agencies and asked them to be on guard against possible incidents of this kind.

The INAO has also highlighted the need for stricter accounting practices regarding the way liabilities, obligations, and commitments are reported in the central government accounts in order to ensure they are fully disclosed when incurred instead of only when they become payable. For example, this is true for financial leases and various public-private partnerships. Only by adhering to strict accounting standards can we get the full overview of the state's activities and the financial position of the Treasury. The government accounts now are in essence based on modified accrual accounting principles. For example, they recognize the full purchase price of property, plant, and equipment as an expense when purchased instead of recognizing them as assets. In some cases, this has discouraged government agencies from making direct investments in favor of various lease arrangements. A new up-to-date accounting framework, based on international accounting standards, is now being considered in connection with the adoption of a new organic budget law over the coming months.

Prior to the crisis, major banks and other financial institutions were privately owned and, therefore, the INAO had no role in auditing their accounts and monitoring their operations. However, after the collapse of the banking system, the government acquired a substantial stake in most banks and the INAO became responsible for their audit. This took a lot of INAO's time in late 2008 and well into 2009. After that, audit companies affiliated with the major international audit firms were hired to conduct the audits on behalf of the INAO. Two of the banks were subsequently sold, and some

of the smaller state-owned banks merged with them. The INAO auditing role in the banking sector has therefore been scaled back to the audit of one commercial bank and several savings and loan institutions.

Every year, the National Audit Office reports to Althingi about its audits of public bodies and the central government accounts. Comments relating to the collapse of the banking system have been prominent in these reports in recent years.

Performance Audit in the Wake of the Crisis

Following the events of 2008, the INAO changed the methods it uses to select assignments for performance audit. More emphasis is now placed on concurrent audits in addition to traditional ex post audits. Also, emphasis is placed on risk analysis of programs, agencies, and projects. Special attention has been given to problems the authorities and agencies are facing because of diminishing revenues, contraction in operations, and reorganization of services.

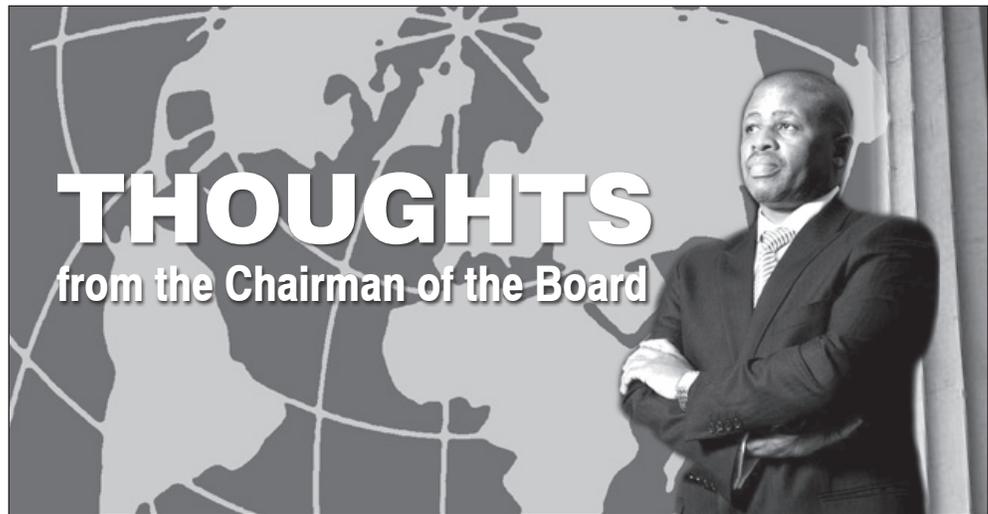
The working methods applied in performance audit have also changed because of the uncertainty and changes in the public sector following the crisis. Special emphasis is placed on flexibility in study selection, clear focus, speed, cooperation with financial auditors, and increased visibility. In addition to traditional audits that seek to give a comprehensive and detailed view of programs or projects, the INAO has also carried out several audits having much a narrower focus or covering specific problems. Finally, reporting has been revised with the aim of making reports shorter, better structured, and more readable than before. The aim is to provide Parliament with timely and usable conclusions and recommendations. The INAO formulates 3-year plans for its performance audit activities that are revised annually.

We Still Have a Ways to Go

We have not yet put the crises behind us, and there still are major challenges to be tackled. There are many lessons to be learned from the crisis for all those engaging in public policy making, financial management and control, and auditing. We must make sure that at all times we have relevant, accurate, and timely information on public finances presented in a way that anyone can understand; risks need to be carefully assessed and kept at an acceptable level; and contingency planning must take place. As humans we are prone to overconfidence and wishful thinking, but we must constantly remind ourselves not to forget to use sound, carefully reasoned judgment based on facts. In many ways, the banking and debt crisis Iceland and many other countries faced in 2008 and afterwards repeats a pattern of similar events that happened all over the world during the 1980s and 1990s. It could have been avoided, or at least not been as bad, had that experience been fully understood and translated into public policy.

The INAO was affected by what happened through both tighter financial constraints on its operations and changes in its priorities. We have not seen the end of that process, and it still remains a challenge to offer our staff a positive working environment.

The INAO wishes you a happy new year.



Communication as a Powerful Tool for Internal and External Influence

by Terence Nombembe, Chairman of the INTOSAI Governing Board and Auditor-General of South Africa

This is a very exciting moment for me to reflect on developments and success stories relating to communication within the INTOSAI community. It was particularly rewarding to listen once again to the testimonies of regional secretariats at the 63rd Governing Board meeting held in Chengdu, China, November 19–22, 2012.

The scene at the Governing Board was magnificently set by United Nations (UN) Under-Secretary Wu Hongbo, who emphasized the influence that the world expects INTOSAI to exert. In his address, he referred to the need to sustain the drive for good governance, supported by strong public administration and the fight against corruption as a pillar for sustainable development. In this regard, he emphasized the role of SAIs in addressing these risks by providing the necessary checks and balances to mitigate waste of scarce public resources. He singled out UN Resolution A/66/209 as a focal point that requires mutual effort between the UN and INTOSAI to see it through to its logical success. “The UN/INTOSAI symposium is but one of the traditional networking channels to deal with the variety of emerging issues worthy of action by both institutions,” he added.

Josef Moser, the INTOSAI Secretary General, was outstanding in laying a firm foundation for what was to follow from the regions. Dr. Moser reflected on INTOSAI’s strategic plan and its communication policy, strategy, and guideline as the cornerstones of internal and external SAI communication. These documents serve as a resourceful reference for the communication objectives mentioned in his report. He concluded by tabling a motion that INTOSAI’s 2013 communication themes be implementation of the ISSAIs and UN Resolution A/66/209.

ISSAI implementation, the communication theme that was approved at the 62nd Governing Board meeting, was no doubt the focal point in the reports of all the regions represented in the 63rd Governing Board. It was a rewarding experience to note that every region has made giant strides in preparing for the rollout of the ISSAI implementation with support from the INTOSAI Development Initiative (IDI). I would like to express a sincere word of appreciation to IDI and regional INTOSAI leadership for the enthusiasm with which the ISSAI implementation project has been embraced. This is a first step towards visibly demonstrating our commitment to professionalism to both our internal and external stakeholders. With an enhanced professional reputation, SAIs stand a better chance and signal renewed hope of conquering other more complex and external barriers to independence. Listening to the regional reports in the Governing Board meeting, I was touched by the atmosphere of alignment, optimism, hope, and unconditional enthusiasm for the ISSAI implementation project.

The participation of the regional secretariats in the Governing Board has proved to be a progressive notion of the INTOSAI Secretary General. It has created a platform where the INTOSAI motto, “Mutual Experience Benefits All,” can be demonstrated in a real sense. The unique experiences shared by the regions were truly inspirational and are worthy of tracking through their respective websites.

The strength of the regional secretariats proved to be the main catalyst in coordinating a number of initiatives that are driven at the regional level. This has been the case in many regions that have succeeded in intensifying leadership development programs and promoting the active participation of SAI heads in training that improved the level of influence in communicating with legislatures, citizens, and civil society—thus promoting the reputation of SAIs. We need more of such communication skills in preparing to roll out the UN resolution on SAI independence at both the regional and country levels. Our courage and ability to influence the events in our respective SAIs will be derived from the preparedness of heads of SAIs to invest in communication excellence for themselves and the rest of the teams that support their communication endeavors.

Through effective interregional communication, many regions have registered success stories in coordinating scientific competitions and enhancing the excellence of SAI staff who participate in topical audit research subjects aimed at enhancing the integrity of SAIs. These interregional sessions continue to be helpful in maximizing the impact of training, study programs, and seminars on topical technical subjects designed to improve SAI staff professionalism and sustain ISSAI implementation.

At this point, I would like to single out the leadership of the EUROSAI region, which has lived up to its promise to willingly share its experiences and expertise with other INTOSAI regions. EUROSAI is the only region to date that has bilateral arrangements with all the major regions; AFROSAI is already being added to the list. In this way, EUROSAI is able to demonstrate and share with other regions the value and successes it derives from its own programs. Selfless acts like this make INTOSAI a unique organization that lives up to its inspirational motto, “Mutual Experience Benefits All.”

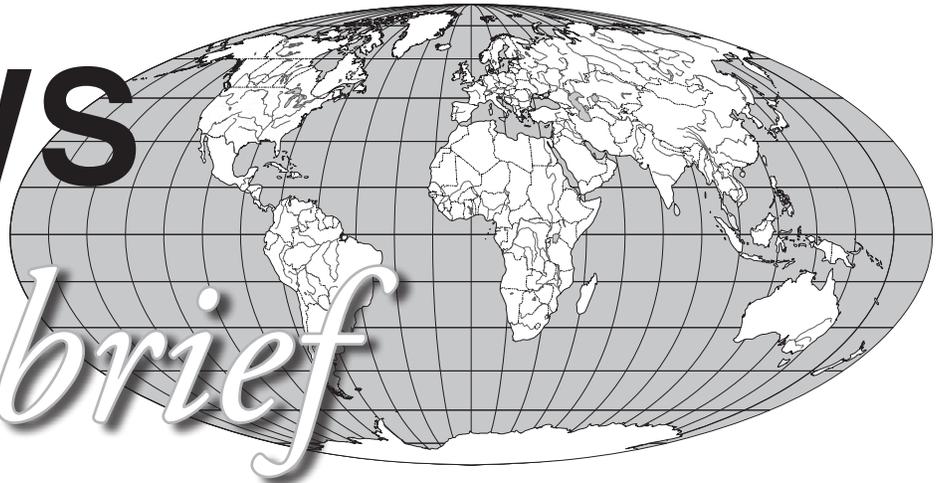
The emerging automation of communication techniques in the OLACEFS region is another unique development. This effort is piloting innovative virtual e-learning and portal communication platforms to enhance dynamism in communication. It is designed to enable easy access to and by other regions on a number of technical cross-regional research initiatives. With such an initiative, the publication of audit reports and other important SAI messages to external users—such as citizens, civil society, and universities—will be made even more convenient and timely. I wish to extend a word of support to OLACEFS for its courage and enthusiasm to optimize access to information. Let us join hands in wishing them well in this worthy endeavor.

This story gives us all hope that given the solidifying culture of communication in our organization, every initiative that we embark upon as INTOSAI will have a greater chance of wider reach and, consequently, success. We can thus rest assured that our resolve to implement ISSAIs and enhance our independence through UN Resolution A/66/209 equally stands a better chance of success.

NEWS

IN

brief



Australia

Pilot of New Website Function for Public Contributions to Selected Audits

In October 2012, the Australia National Audit Office (ANAO) began piloting a new website function that allows members of the public to contribute to selected performance audits during the information-gathering stage. This initiative is designed to promote closer citizen engagement in the audit process by providing a new, simple, web-based tool that complements the more traditional ways that stakeholders contribute to performance audits. It also aligns with broader Australian government initiatives that promote the use of technology to encourage more open and transparent government. In these initiatives, the public informs policy more and can access government information more easily.

The law protects the confidentiality of the information gathered through the new website function. This information can only be disclosed for purposes defined in the *Auditor-General Act 1997*. Any sensitive personal information gathered by the ANAO is also subject to the provisions of the *Privacy Act 1998*.

All contributions through the website function are acknowledged on

submission. While members of the public can choose to provide their contact details as part of any contribution, this is not mandatory. If contact details are provided, the ANAO may contact the member of the public regarding their contribution. However, in line with the confidentiality requirements outlined above, the ANAO will not discuss any aspect of an ongoing performance audit regarded as confidential during the course of an audit. Contributors can register on the ANAO website to be notified when the report on the performance audit they contribute to tables in the Parliament.

To access the audits piloting the consultation function, see “Quick Links” on the ANAO home page. The pilot will run until early in 2013, when it will be evaluated.

Annual Report Tabled

The ANAO’s annual report for 2011–2012 has been tabled in the Parliament and is available on the ANAO website at <http://www.anao.gov.au/About-Us/Annual-Reports/2011-2012>.

For additional information, contact the ANAO:

E-mail: ag1@anao.gov.au

Website: <http://www.anao.gov.au>

El Salvador

Proposed Revisions to the Law of the Court of Auditors

In September 2012, the judges of the Court of Accounts of the Republic of El Salvador presented a new draft law for the SAI to the Special Committee on Finance and Budget of the legislature. The new law is designed to improve the SAI’s oversight and control of public finances and the budget. Its proposed reforms include harmonization with other audit laws and international standards and provision of a mechanism to improve the implementation and enforcement of its judgments.

The President of the Court of Accounts, Marcos Gregorio Sánchez Trejo, expressed interest in making positive changes to help improve control of state resources.

Dr. Sánchez Trejo explained that this revision of the law contains two proposals—the first being an integrated preventive control, both concurrent and post, and the second establishing the independence of the Court of Accounts. The intention of these proposals is to improve and simplify some procedures to reduce time and facilitate decision-making. The proposed act has been sent to the Salvadoran legislative assembly for review.



The judges and president of the Court of Accounts of El Salvador meet with the legislature's Special Committee on Finance and Budget to discuss the new draft law for the SAI.

According to Dr. Sánchez Trejo, these revisions will result in harmonization with other laws, state institutions, and international standards. They will improve the implementation of institutional rules and compliance with the court's constitutional mandate, strengthening the court's actions for the benefit of the country.

Memorandum of Understanding Signed with the SAI of Peru

On December 6, 2011, the Court of Accounts of El Salvador signed a memorandum of understanding with the Comptroller General of Peru to carry out a peer review as part of the SAI of El Salvador's efforts to streamline processes and institutional work.

The document was signed by the President of the Court of Accounts of El Salvador, Marcos Gregorio Sanchez Trejo, and the Comptroller General of Peru, Fuad Khoury Zarzar.

This project is a modernization effort to exchange information between the Court of Auditors and the Comptroller

General of Peru, the intended result of which will enable both institutions to improve and modernize aspects of management in those areas in which each has more experience.

According to ISSAI 5600, a peer review is a voluntary review of an SAI by one or several partner SAIs. In peer reviews, the institutional objectives of one SAI are analyzed by a similar SAI, which assumes the role of reviewer

and whose experience and knowledge sharing will promote improvements in management practices and control.

In this case, knowledge was shared regarding four specific aspects of particular relevance to the SAI's objectives: institutional organizational structure in reference to constitutional functions; operation and integration of two regional offices; environmental inspection focused on the planning, execution, and results of actions; and matters relating to training for internal and external audiences.

The implementation of this project is part of the 2011 Operational Plan of the Regional Training Committee of the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS), currently chaired by the Comptroller General of Peru, and is sponsored by the German Agency for International Cooperation (GIZ).

For additional information, contact the Court of Accounts of El Salvador:

E-mail: comunicaciones@cortedecuentas.gob.sv
Website: <http://www.cortedecuentas.gob.sv>



Marcos Gregorio Sanchez Trejo (left), President of the SAI of El Salvador, and Fuad Khoury Zarzar, Comptroller General of Peru, sign the memorandum of understanding for a peer review.

Iran

Senior President of Supreme Audit Court Re-elected

The Iranian Parliament's Budget and Audit Committee nominated Abdulreza Rahmani Fazli to serve as the Senior President of the Supreme Audit Court for another 4-year term. On July 3, 2012, the Iranian Parliament unanimously approved the committee's decision.

Dr. Rahmani Fazli has served as the Senior President of the Supreme Audit Court since July 2008. He was elected as the Chairman of ECOSAI (Economic Cooperation Organization Supreme Audit Institutions) in October 2010.

Previously, Dr. Rahmani Fazli held several high-ranking positions, such as Member of Parliament, Acting Chairman of IRIB (Iranian National TV and Radio), and Deputy of Economic and International Affairs of the Ministry of the Interior. Some of his notable work as Senior President of the Supreme Audit Court has involved training auditors and government managers, conducting audits using information technology, and interacting and cooperating with regional and international audit organizations.

For additional information, please contact the Supreme Audit Court of Iran:

E-mail: pria@dmk.ir
Website: <http://www.dmk.ir>

Libya

New SAI and Auditor General

The National Transitional Council of Libya issued a decree establishing a new Audit Bureau to replace the previous control agencies. On August 20, 2011, Salem M. Bengharbia was named president of the new SAI.

The Audit Bureau looks forward to collaborating with INTOSAI and its regional working groups.

For additional information, contact the Audit Bureau:

E-mail: dr.bengharbia@yahoo.com

Macedonia

SAO Annual Report for 2011

The State Audit Office (SAO) of the Republic of Macedonia published its 2011 annual report and submitted it for review to the Parliament before the statutory deadline, June 30, 2012. The report presents facts and figures about different aspects of SAO operations and summarizes results of the audits the SAO conducted in 2011. It is published on the SAO web site in Macedonian and English.

Following the review and debate on the report at the plenary session held in September 2012, the Parliament adopted relevant conclusions in support of SAO recommendations for improving accountability, transparency, and value for money principles in the

management of public funds in the Republic of Macedonia.

SAO-NCA Project

Following the successful completion of its 5-year (2006–2010) bilateral cooperation with the Netherlands Court of Audit (NCA), the SAO entered into a new project with the NCA in 2012. The project is focused on establishing sustainable and effective professional relations between the SAO and the Parliament in regard to the members of Parliament's (MP) review and use of final audit reports. The main product of this project is a manual for the MPs with practical tips on using audit reports. The manual includes best practices of other SAIs regarding cooperation with the Parliament.

The project team comprises representatives from the SAO, NCA, and Westminster Foundation for Democracy. Following meetings held in May 2012 in The Hague and in September 2012 in Skopje, the project team defined the final contents of the manual. It was officially released in November 2012 in Skopje.



Members of the project team at the public release of the *Introduction to Audit Reports* manual in Skopje, Macedonia, in November 2012.

SAO-OAGN Cooperation

The SAO and the Office of the Auditor General of Norway (OAGN) signed a memorandum of understanding to implement a project aimed at improving the efficiency and quality of SAO audit work through the use of an audit management system. The Ministry of Foreign Affairs of Norway, the project donor, accepted the final application the SAO prepared in cooperation with the OAGN. The project is to be carried out November 2012–October 2016.



Jørgen Kosmo (left), auditor general of Norway, and Tanja Tanevska (right), auditor general of Macedonia, signed a memorandum of understanding in September 2012 in Skopje.

For additional information, contact the SAO:

E-mail: dzr@dzr.gov.mk
 Website: <http://www.dzr.mk>

Malta

Audit Reports Issued by the National Audit Office

The National Audit Office (NAO) of Malta carries out four main types of audit activities: financial and compliance, performance, and IT audits and special audits and investigations.

From December 2011 to October 2012, the NAO published audit reports on the following subject areas:

Financial and Compliance Audits

- Annual audit report of the auditor general—Public accounts 2010

Performance Audits

- Safeguarding Malta's groundwater
- Employment opportunities for registered disabled persons
- Contract management capabilities across local councils
- An analysis of the "pharmacy of your choice" scheme
- A follow-up on vehicle emissions control schemes
- Tackling problem drug use in Malta

IT Audits

- Heritage Malta
- Medicines authority

Special Audits and Investigations

- Public broadcasting services: Extended public service obligation
- University of Malta concession of parts of university house to the university students' council
- Set up and operations of the company charged with collecting water
- A follow-up on public electricity corporations
- Analysis of public procurement through 2007 to 2009 case studies

These reports are available on the NAO website (<http://www.nao.gov.mt>) or by contacting Brian Vella, Assistant Auditor General (brian.vella@gov.mt).

XXII Commonwealth Auditors General Conference 2014

In 2014, the NAO of Malta will celebrate its 200th anniversary. To commemorate this event, the office will organize and host the XXII Commonwealth Auditors

General Conference, which is planned for the end of March 2014. The heads of the SAIs of the Commonwealth countries will be invited to attend.

For additional information, contact the NAO of Malta:

E-mail: nao.malta@gov.mt
 Website: <http://www.nao.gov.mt>

Mongolia

New Auditor General

On October 11, 2012, Zangad Ayuur was appointed Auditor General of Mongolia by Parliament. He succeeds Radnaa Choijamts, who resigned.



Zangad Ayuur

Mr. Zangad Ayuur graduated from the University of the Ukraine with a bachelor's degree in economics.

Before joining the Mongolian National Audit Office, he held management positions in a number of organizations, including the Committee on Planning and Economics, the Office of the Parliament, the Ministry of Health and Social Welfare, and the Labor Exchange Central Office.

For additional information, contact the Mongolian National Audit Office:

E-mail: nurzedl@mnao.mn

Website: <http://www.mnao.mn>

Myanmar

New Union Auditor General

On September 7, 2012, Thein Htaik officially assumed his role as union auditor general (UAG) of the Office of the Auditor General of the Union of Myanmar, Myanmar's SAI.

Thein Htaik's prior positions include inspector general of Defense Services for the Ministry of Defense and union minister for the Ministry of Mines. He was awarded the title of Thayaysithu by the President in January 2011.

The UAG is chairman of the Myanmar Accountancy Council (MAC), and the SAI acts as the MAC Secretariat. As stipulated in the Constitution, the UAG is also a member of the Financial Commission.

Myanmar's SAI is a member of ASOSAI, ASEANSAI, and INTOSAI, and the UAG hopes to build a more transparent and interactive society by strengthening the cooperation and collaboration with other SAIs, both bilaterally and multilaterally. Moreover, he has emphasized his interest in several areas, including upgrading human resources capacity and practicing comprehensive quality assurance to achieve the ultimate goals of the Myanmar SAI.

Participation in Collaborative Environmental Audit within the Mekong Region

The Republic of the Union of Myanmar is situated within the great Mekong River Basin, and the Myanmar SAI has had the opportunity to participate in a cooperative environmental

audit regarding Mekong River Basin management. The audit was launched with a workshop in Bangkok, Thailand, in March 2012, which served as a capacity-building program for many ASEAN SAIs. It was sponsored by the German Agency for International Cooperation (GIZ), with support from ASOSAI and INTOSAI. In addition to Myanmar, the SAIs of Thailand, Laos, Cambodia, and Vietnam participated in the audit. Each SAI was to produce an individual report leading to a comprehensive audit report, which was to be completed for the December 2012 ASOSAI meeting. Cooperation and sharing of ideas and knowledge on environmental audit within the ASEAN SAIs enables them to promote cooperative initiatives responding to new challenges and enhance good governance, including accountability, transparency, and integrity.

The environmental audit conducted by Myanmar's SAI pertains to erosion control management for the Mekong River Basin in Myanmar, and the SAI presented draft findings and recommendations at the second workshop held in Thailand at the end of September 2012. The draft findings and recommendations included the need to promulgate specific laws, rules, and regulations for erosion control management; promote the significance of conservation projects and activities; increase awareness of how to prevent erosion among local people in the Mekong region; improve the erosion control management system efficiently; and cooperate bi- and multilaterally with regional groups and the Mekong River Commission.

For additional information, contact the Office of the Auditor General of the Union of Myanmar:

E-mail: auditorgeneral@mptmail.net.mm

Website: <http://www.oagmac.gov.mm>

Paraguay

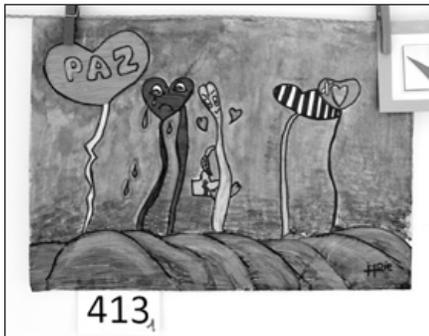
SAI Sponsors Children's Art Contest on Control and Corruption

As part of its efforts to promote a culture of control, the SAI of Paraguay (CGR) has been conducting training workshops upon request from civil organizations in different provinces of the country. Based on experiences in previous years when children controlled basic baskets of school supplies and snacks, and in conjunction with the celebration of children's day in Paraguay on August 16, a new initiative was implemented to involve children in advancing a culture of control. The SAI sponsored a drawing and painting contest for children entitled "I Know How to Control" August 27–31, 2012.

Boys and girls from 6 to 12 years of age participated in the contest, which involved creating a drawing or painting at home, school, or community centers on one of the following topics:

- How can government corruption be controlled?
- How can children control and ensure that their rights are protected?
- How would Paraguay be different if there were no corruption?
- What services and resources of the state would you like to control?

The intent of the contest was to promote dialogue between children and adults that visualizes children as users and beneficiaries of public resources and to demonstrate that their rights are made vulnerable and violated by the misuse of state resources. The SAI received 470 submissions expressing the concerns of participants. After the drawings and paintings were exhibited for a week, the top 12 were selected by an external jury and the public, who voted via social media, and an award ceremony was held.



Two of the winning drawings in the children's contest on control and corruption that the SAI of Paraguay sponsored.

The contest had an impact in a number of ways. The quantity and quality of works exposed the SAI to the children's comprehension of the undesired reality of corruption and their proposals of ways to build a better country. By their collaboration, both the SAI and educational institutions gained renewed interest in continuing to address issues related to control. It also provided an opportunity to inform the public of the nature of the SAI's work. Finally, the contest underscored the importance of working with children to fight against corruption and helping to develop citizens committed to promoting public welfare.

For additional information, contact the SAI of Paraguay:

E-mail: cooperacion@contraloria.gov.py
 Website: <http://www.contraloria.gov.py>

Turkey

Seminar on Achieving Audit Quality

In October 2012, the Turkish Court of Accounts (TCA) held a seminar called Achieving Audit Quality with technical assistance from SIGMA (Support for Improvement in Governance and Management), which is a joint initiative of the Organisation for Economic Co-operation and Development (OECD) and the European Union (EU), principally financed by the EU.

Opening speeches were given by Recai Akyel, President of the TCA, and Ulrika Klingenstierna, Senior Advisor from SIGMA.

The first session was opened and chaired by Deputy President Erol Akbulut, who discussed TCA's audit strategy and audit quality controls. Ms. Klingenstierna then delivered a speech on implementing ISSAI 40: *Quality Control for SAIs* and International Standard on Quality Control 1. The first session concluded with the presentation of Dace Nulle, from the SAI Latvia, on how SAI management is engaged in the quality control process from the start to the end of the audit and in ensuring that quality control is constantly improved.

The second session started with the speech of John Speed (SIGMA expert, former director of the European Court of Auditors, and former member of the INTOSAI working group on ISSAI 40), in which he discussed the types of review, theory, and practice at the European Court of Auditors. He was followed by Eleonora Almeida from the Portuguese Court of Auditors, who discussed where to start identifying necessary amendments to the audit process to align to ISSAI 40 in SAIs with judicial functions.

Approximately 130 staff, consisting of members, reporters, and principal and senior auditors from the TCA, attended the seminar. During the round table discussion, participants had the opportunity to ask questions and share their own experiences.

SAI Launches an Auditing Masters Program

Among the strategic objectives of the TCA are extending contemporary audit methods and techniques, improving the quality and effectiveness of audit, and increasing the professional competencies of its staff. In line with this strategic objective and to launch a master's program entitled Auditing in Public Management, the TCA has partnered with Gazi University, one of the leading universities in social sciences. The new master's program will be open to all audit professionals working in the public sector, with specific placements allotted to TCA personnel. The program will commence in the second half of the 2012–2013 academic year.

Training for Other Countries' SAIs

The TCA conducted value for money (VFM) audit training programs for the Kazakhstan and Mongolia SAIs.

Delegations from Kazakhstan—consisting of members, heads of departments, and auditors—attended the VFM audit training programs that were conducted over two sessions in July and October 2011 in Ankara. From June 4 to 15, 2012, the same training program was conducted for a delegation from the Mongolian National Audit Office (MNAO), including the head of the performance audit department and auditors from various parts of MNAO.



Participants in the value-for-money training program the Turkish SAI provided to staff of the Mongolian SAI.

The programs, which covered theoretical and practical training, gave TCA the opportunity to share the Turkish experience regarding VFM audit. The program covered a range of audit topics, such as principles and procedures of performance audit, a comparison of performance audit and performance evaluation, understanding the entity and its environment, selection of performance audit topics, issue analysis, main question and sub-questions, developing audit criteria, methods of gathering evidence, interviews and focus groups, field work, developing audit conclusions and recommendations, documentation of audit evidence, reporting, the follow-up stage of performance audit, IT audit, and audit management.

In addition, a training program covering public administration accounts and final account transactions was conducted for a delegation from Azerbaijan's SAI July 16–20, 2012. This program covered an array of accounting-related topics, including public financial management and control, a general overview of the Turkish public accounting system,

the final account process and the framework of the general conformity statement, final accounts by institutions and consolidation efforts, treasury transactions and computer-assisted audit techniques, and the Turkish experience in these areas.

At the conclusion of the training programs, certificates of attendance were given to the participants by TCA President Recai Akyel. During the evaluations following the training programs, the necessity of improving cooperation between SAIs and promoting the sharing of experiences and knowledge via joint training and audit activities was discussed, and the importance of increasing these kinds of training programs was emphasized.

For additional information, contact the Turkish Court of Accounts:

E-mail: int.relations@sayistay.gov.tr
Website: <http://www.sayistay.gov.tr>

Venezuela

SAI Becomes Full Member of Organization of MERCOSUR SAIs

On August 12, 2012, Venezuela joined MERCOSUR, the Southern Common Market. As a result, the SAI of Venezuela became a full member of the Organization of SAIs of MERCOSUR Countries and Associates (EFSUR). Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay are part of this autonomous, independent, technical organization, which was established to enhance the development and improvement of its member institutions by promoting technical, scientific, and cultural cooperation activities in the field of control over the use of public resources. Venezuela had been an associate member since 2006. This change in status gives the SAI of Venezuela full rights and responsibilities and furthers its efficiency levels in achieving EFSUR's common goal: to be recognized as MERCOSUR's external auditor.

The new status of Venezuela in MERCOSUR and EFSUR is the result of its ongoing efforts to create alliances with its South American neighbors to find solutions to the social problems that plague the region through the efficient use of its resources and especially by establishing joint programs that benefit more citizens.

Along with the other member countries, the SAI of Venezuela has been involved in EFSUR annual summits. Its proposals have increased the organization's participation in the programs of the Fund for the Structural Convergence of MERCOSUR (FOCEM), which has been created to promote regional integration, social cohesion, and competitiveness.

As a full member of EFSUR, Venezuela's purpose is to multiply projects that promote the benefits of being part of MERCOSUR among countries not yet associated with the organization and to participate actively in FOCEM audits, thus supporting the fund's efforts to develop improvement programs and growth in the country and the region.

Venezuela's entry into MERCOSUR and EFSUR will also promote the full development of its technical and human resources, as well as strategies to meet the most pressing spiritual and material needs, both locally and regionally.

For additional information, contact the SAI of Venezuela

E-mail: DICT@cgr.gob.ve

Website: <http://www.cgr.gob.ve>

Vietnam

SAI Cooperation with Canadian Development Agency

On September 7, 2012, the Director of the State Audit Office of Vietnam's (SAV) International Relations Department met with the senior development staff of the Canadian International Development Agency (CIDA) on cooperation between SAV and CIDA.

At the meeting, director Nguyen Trong Thuy stated that the cooperation between the SAV and the Office of the Auditor General of Alberta, Canada, and the Canadian Comprehensive Auditing Foundation (CCAF) has brought practical and meaningful effectiveness to the SAV. Their cooperation has been ongoing since March 2008, with knowledge-sharing in performance auditing, human resources development, and capacity

building. The SAV has nominated two auditors each year since then to study performance auditing in Canada. In addition, with the support of CIDA and CCAF, the OAG of Alberta dispatches its experts to Vietnam to guide and train the SAV auditors on how to apply their lessons learned in actual audits in Vietnam. According to Mr. Thuy, SAV's Development Strategy to 2020 emphasizes strengthening and promoting performance audit in its work. In addition, SAV is preparing to carry out performance audits on land and mineral resources management and social projects on poverty reduction. The training support from CIDA and CCAF is important for addressing these priorities.

According to the CIDA representative, CIDA is in charge of all projects and programs of international cooperation between the Canadian government and other countries in the world. Annually, CIDA disburses up to 80 percent of Canada's international development assistance funding. The CIDA representative expressed satisfaction with SAV's progress and stated that CIDA is willing to support SAV's needs.

SAV Reports on Draft Audit Plan for 2013

At the 11th session of the National Assembly's Standing Committee on September 12, 2012, Auditor General Dinh Tien Dung reported to the committee on SAV's draft audit plan for 2013.

According to the auditor general, the overall audit objective for 2013 is to assess effectiveness and efficiency in implementing the 2012 resolutions of the National Assembly and government. These resolutions involve the government's socio-economic development plan, the state budget,

investment capital and government bonds, solutions for businesses and economic markets, and supervision plans of the National Assembly and People's Councils at all levels.

Meanwhile, the auditor general directed SAV to set up a medium-term audit plan for 2013–2015 in line with the economic reconstruction roadmap to assess the current status of public investment, finances, and governance and production efficiency, especially the effectiveness of investments outside of the main duty areas by corporations, state-owned companies, commercial banks, and financial institutions. This plan is to assist the government in restructuring the economy toward a growth model that attempts to improve quality, efficiency, and competitiveness and prevent corruption; manage waste; and assist in the utilization of the state's budget, funds, and assets.

With this guiding principle, SAV will reduce the number of audits in 2013 as compared with 2012 to focus more on the scale of each audit. Further, SAV will enhance the quality of audit work, paying special attention to the quality of cross-sector audits and combining them when possible—for example, incorporating audits of management and land use, real estate, housing and urban development, mining, business resources, and mineral production into one audit. In addition, SAV will also promote audits related to restructuring the economy, particularly audits of projects and construction works used for managing, administering, and restructuring public investments. SAV will also use social resources to evaluate audited projects' quality. SAV's audit focus is also on auditing corporations and state-owned commercial banks as they support the restructuring of the economy and, on completing those audits by

2015, providing timely information for restructuring those state-owned entities.

The auditor general also provided further details on the main entities and areas in the 2013 draft plan. The chairman of the National Assembly's Finance and Budget Committee agreed with SAV's draft audit plan and stressed the importance of auditing corporations, monetary policy implementation, and commercial banks.

SAV Tests Audit Information Management Software

Under the direction of the auditor general, SAV's Information Technology Center (ITC) hosted testing of new audit information management software in early October 2012. The software is based entirely on a web interface using Microsoft technology and Crystal Reports. The main functions of the software include data updating, information extracting, administration supporting functions, and searching and duplicating data. The software is designed to allow future upgrades to include more information management functions.

With the above features, the software will help SAV auditors record their audit minutes scientifically and substantively and easily provide the information from their audit diaries to management at all levels. At the same time, the software makes it convenient for managers to inspect audit minutes and diaries at any given day or time. This facilitates the assessment of auditors' performance and operational results, individually and in teams.

Widespread use of the software will promote the establishment of an audit minutes information system within SAV. In return, it will help modernize

SAV audit activities and improve the efficiency, continuity, and timeliness of audit quality control, even while field work is being conducted.

For additional information, contact SAV:

E-mail: vietnamsai@hn.vnn.vn
 Website: <http://www.kiemtoannn.gov.vn>

Yap (Federated States of Micronesia)

Audit Office Launches Website

The Office of the Yap State Public Auditor recently launched its new public website at <http://www.audityap.org>. The website offers the public convenient access to audits and other information on the programs and operations of the Yap state government and its agencies. Information on this site is also designed to assist the people of Yap and other interested parties in enhancing their understanding and knowledge of the Public Auditor's office. The website provides links to other websites and resources related to the mission of the Public Auditor's office, contact information, and a hotline tip submission form.

As the public's appetite for transparency and accountability continues to grow, the Public Auditor's office welcomes and encourages their participation and feedback.

For additional information, contact the Office of the Public Auditor:

E-mail: info@audityap.org
 Website: <http://www.audityap.org>

The October 2012 *Journal* contained an article by Kristoffer Blegvad, chair of the ISSAI Harmonization Project, providing background on why INTOSAI needs to revise its fundamental auditing principles. This article provides additional information on the four ISSAIs that comprise the new fundamental auditing principles, all of which are currently available for comment on the ISSAI website (<http://www.issai.org>).

INTOSAI's New Fundamental Auditing Principles: Part 2

by Rasmus Hyll Bruun, SAI of Denmark

INTOSAI is now in the final phase of defining the revised fundamental auditing principles, a common set of auditing principles and concepts that are designed to be useful and supportive for all INTOSAI members. The project group of the ISSAI Harmonization Project has sent exposure drafts for ISSAIs 100, 200, 300, and 400 to all INTOSAI members and other interested parties for comment.

The exposure period for all four documents expires on February 15, 2013, so there is still time to read, review, and comment on the documents.

In the articles below, four of the key persons involved in drafting the new ISSAIs have presented the most significant elements in the revised fundamental auditing principles.

What Are the New Fundamental Auditing Principles?

In 2007, INCOSAI established the ISSAI framework, including level 3 of the framework (ISSAIs 100–999), which covers fundamental auditing principles. According to the XIX INCOSAI's decision on the ISSAI framework in 2007, level 3 contains the broad, fundamental principles for auditing public sector entities, while level 4 translates the fundamental auditing principles into more specific, detailed, and operational guidelines that can be used on a daily basis for auditing.

The ISSAI Harmonization Project is revising the fundamental auditing principles and, in this way, aims to provide a conceptual basis for public sector auditing and ensure consistency in the ISSAI framework.

The following are the key characteristics of the revised fundamental auditing principles:

- **Cover all types of public sector audits, whatever their form or context.** ISSAI 100 defines public sector auditing, provides the fundamental principles and concepts for all areas of public sector auditing, and can therefore be used by all SAIs regardless of their assignments and mandate. ISSAIs 200, 300, and 400 provide the fundamental principles related to the contexts of financial, performance, and compliance auditing, respectively. The principles of ISSAIs 200, 300, and 400 build on the fundamental principles of ISSAI 100 and should be applied in conjunction with them.
- **Provide the bedrock for ISSAI guidance on auditing.** With the endorsement of the new ISSAIs, a range of overlaps and inconsistencies between levels 2, 3, and 4 of the ISSAI framework will be resolved. The new ISSAIs at level 3 do not repeat the ISSAIs at levels 1 and 2 but make consistent reference to them. The new ISSAIs are also consistent with the general auditing guidelines at level 4. Through the planned process of ongoing maintenance, improvement, and alignment of other ISSAIs in the framework with the fundamental auditing principles, the ISSAI framework will further develop into a more coherent and credible set of professional standards.

- **Provide a common, globally recognized professional basis for the INTOSAI community.** This will also further the rollout and implementation of the ISSAIs. ISSAIs 100, 200, 300, and 400 encourage and support SAIs in their efforts to develop or adopt auditing standards that are consistent with the principles in the ISSAIs and relevant for the SAI within its mandate and the national context.
- **Provide the core of the more detailed auditing guidelines at level 4.** Levels 3 and 4 of the framework will thus provide a learning ladder that will support a step-wise and flexible implementation of the ISSAIs. The new fundamental auditing principles will also be the basis for any further development of the level 4 guidelines in the future.
- **Clarify the authority of the ISSAIs and explain how SAIs can reference these standards in audit reports.** This will clarify the basis for the individual SAI's decisions on implementation of the ISSAIs. It will also provide an improved basis for INTOSAI's common efforts to implement the ISSAIs—for example, through the Performance Measurement Framework (PMF), the ISSAI Compliance Assessment Tool (iCAT), as well as in other areas of cooperation.

The project group has based its revision of the fundamental auditing principles on the text of the old ISSAIs 100, 200, 300, and 400 from 1992; the new general auditing guidelines (ISSAIs 1000–4999) endorsed by the XX INCOSAI in 2010; the information on the mandates of different SAIs provided by representatives of INTOSAI's regions; as well as the collective knowledge and expertise of the project group members and the related three INTOSAI Professional Standards Committee (PSC) subcommittees on financial, performance, and compliance audits. The result of this work is four new ISSAIs, rather than a simple update of the old ISSAIs 100, 200, 300, and 400.

The members of the ISSAI Harmonization Project Group

The project group consists of members from 13 SAIs. In addition to the chair (Denmark), it includes members from three PSC subcommittees: the Financial Audit Subcommittee (Sweden, the United Kingdom, and the United States), the Performance Audit Subcommittee (Brazil, Sweden, and Austria), and the Compliance Audit Subcommittee (Norway, the European Court of Auditors, and Slovakia). The project group also includes the chair (South Africa) and vice chair (China) of INTOSAI's Governing Board, and the chairs of the Knowledge Sharing Committee (India) and the Task Force for the SAI Information Database (Mexico).

ISSAI 100: Fundamental Principles of Public Sector Auditing

by Iain Johnston, SAI of the United Kingdom

ISSAI 100—*Fundamental Principles of Public Sector Auditing*—presents a definition of public sector auditing and provides the essential concepts, elements, and principles that apply to all public sector audit activities. Thereby, it provides the basis for the specific principles and concepts that define each area and that are included in ISSAIs 200, 300, and 400, which have a more targeted scope of application and contain only principles relevant to financial, performance, and compliance auditing, respectively.

ISSAI 100 states that public sector auditing is essential in providing independent and reliable information to legislatures, oversight bodies, those charged with governance, and the public. Public sector auditing enhances the confidence of the intended users in the appropriate use of public funds and assets, adherence to applicable authorities, and the performance of public administration. Audits are required to be objective, and results are based on findings supported by sufficient and appropriate audit evidence.

However, because of inherent limitations in all audits, an audit can never provide absolute certainty for the intended users, and this should be communicated in a transparent way. Depending on the purpose of the audit, this may be communicated in different ways. SAIs may choose to provide an explicit statement on the level of assurance in an opinion in a standardized format or in a conclusion in a non-standardized form. They may also choose to provide a consistent and persuasive description of the audit objective, the evidence obtained, the findings, the conclusions, and the recommendations.

ISSAI 100 contains the section “Making references to the ISSAIs” that explains the authority of the fundamental auditing principles set out in ISSAIs 100, 200, 300, and 400. ISSAI 100 recognizes that SAIs conduct their audits according to different national, regional, or international auditing standards that may be issued by the SAI or adopted from another source or may be within the ISSAI 1000-4999 financial, performance, and compliance auditing guidelines.

Therefore, depending on the standards applied, the ISSAIs can be referred to in two principal ways: audit reports may state that the audit was conducted in accordance with (1) a national standard based on or consistent with the ISSAI fundamental auditing principles or (2) the ISSAIs. In the latter case, the auditing guidelines on level 4 of the framework for financial, performance, or compliance auditing are applied as the authoritative standards. By providing these two options, the project group and the PSC Steering Committee have ensured a high degree of flexibility whereby each SAI can decide its own approach and standards that are relevant within its environment.

ISSAI 200: Fundamental Principles of Financial Auditing

by Jonas Hällström, SAI of Sweden

ISSAI 200—*Fundamental Principles of Financial Auditing*—provides an overview of the nature, elements, and principles of auditing financial statements. The principles presented are consistent with the International Standards on Accounting (ISA) and the financial auditing guidelines on level 4 of the ISSAI framework. ISSAI 200 provides references (links) to ISSAIs 1000–1810 (ISAs with practice notes), which contain the requirements for such audits.

ISSAI 200 has been developed to provide the basis for developing or adopting auditing standards for financial auditing. It is based on the same premises as the financial auditing guidelines; that is, it requires, on a principle level, the same considerations of suitable criteria, ethical requirements, and demand for the auditors to be part of the

same procedures for quality control. This ISSAI provides detailed information on the following:

- the purpose and authority of the fundamental principles of financial auditing,
- a framework for auditing financial statements in the public sector,
- the elements of an audit of financial statements, and
- the principles of an audit of financial statements.

ISSAI 200 addresses audits of financial statements and requires the auditor to consider the relevance and applicability of the financial reporting framework adopted to prepare the financial statements. It clearly states that such a financial reporting framework may be adopted for special purposes, such as reporting of public sector entities' expenditures in relation to the budget as may be required, or it may be a general purpose financial reporting framework, such as International Public Sector Accounting Standards (IPSAS). For all types of financial reporting, it still requires the auditor to consider the relevance of the framework applied.

The principles formulated in ISSAI 200 are derived from the financial auditing guidelines on level 4, covering all aspects of the audit process, and focusing on the principles behind the comprehensive set of requirements at level 4. Flexibility is achieved by using these principles as the basis for adopting other standards as well as level 4. ISSAIs 1000–1810 are the best example of how the fundamental principles of financial auditing can be applied. For SAIs that choose to develop standards based on the fundamental auditing principles or adopt national standards consistent with the principles, the areas dealt with in ISSAI 200 are matters that should be addressed. ISSAI 200 also contains comprehensive guidance that may assist SAIs in developing or adopting standards consistent with the principles.

ISSAI 300: Fundamental Principles of Performance Auditing

by Gloria da Costa Bastos, SAI of Brazil

ISSAI 300—*Fundamental Principles of Performance Auditing*—defines and provides INTOSAI's principles for auditing economy, efficiency, and effectiveness. The framework for performance auditing is provided together with the general principles for performance audit engagements.

ISSAI 300 highlights elements considered to be relevant in performance auditing because they are essential in order to deal with the diverse facets of the public sector and to accomplish the objective of adding value by providing new information, analysis, or insights, and, where appropriate, suitable recommendations. ISSAI 300 emphasizes the following:

- the need for flexibility to choose different approaches and methods;
- the importance of effective communication with auditees and relevant stakeholders;
- the definition of audit risk that goes beyond inaccuracy in the conclusions;

- the concept of safeguarding quality, including the need for continuous learning activities to support the audit team in delivering a high quality performance report;
- the appropriate attitude and professional behavior expected from performance auditors when exercising their professional judgment; and
- the need to have a complete report that includes all relevant information and arguments to support conclusions.

These elements, already present in the performance auditing guidelines at level 4 of the ISSAI framework (ISSAIs 3000 and 3100), gain a clear and concise formulation in ISSAI 300.

At the same time, ISSAI 300 introduces new concepts not explicitly mentioned in ISSAIs 3000 and 3100 but considered relevant for all types of audit in ISSAI 100. These include

- essential elements of an audit (e.g., responsible party, intended user, and the underlying subject matter);
- how to convey confidence and assurance in a performance auditing engagement; and
- how to refer to an ISSAI, for which a common approach in ISSAI 100 and a more specific one in ISSAI 300 were developed to suit the performance audit context.

ISSAI 300 reflects a balance between the common framework and principles established in ISSAI 100 and the specific characteristics of performance auditing.

ISSAI 400: Fundamental Principles of Compliance Auditing

by Mona Paulsrud, SAI of Norway

ISSAI 400—Fundamental Principles of Compliance Auditing—states the principles of compliance auditing as conducted by SAIs and thus defines and provides INTOSAI's principles for auditing compliance with authorities (laws, regulations, or propriety).

ISSAI 400 is the outcome of almost 10 years of INTOSAI efforts to identify the commonalities and basic requirements of compliance auditing as performed by SAIs worldwide. ISSAI 400 builds upon the operational guidance in the ISSAI 4000 series, Compliance Audit Guidelines, and aims at providing a coherent umbrella document for these guidelines on a high level.

ISSAI 400 constitutes the basis for auditing standards in compliance auditing in accordance with the ISSAIs and provides detailed information on the following:

- the purpose and authority of the ISSAIs on compliance auditing,
- the nature of compliance auditing and different ways in which it is performed,
- the elements of compliance auditing, and
- the principles to be applied when conducting compliance audits.

The Compliance Audit Subcommittee's approach in developing both guidelines and principles of compliance auditing has been to build upon established audit theory and terminology and elaborate them to suit the specific public sector context; additionally, terminology and audit approaches specific to the public sector were added. To achieve this on a principle level covering all variations of compliance auditing performed by SAIs all over the world, the terminology and principles are drafted on a very high level, though they are still aimed at giving each SAI the necessary means to adjust them to their own mandate and national authorities.

All exposure drafts of the new ISSAIs have been posted on the ISSAI website at <http://www.issai.org>, and we would welcome any comments on how to improve the text of the four documents.

More information on the ISSAI Harmonization Project can be found at the project's homepage at <http://www.psc-intosai.org>.

Designing and Implementing a Quality Management Framework in the SAI of Pakistan

by Arsalan Haneef, Office of the Auditor-General of Pakistan

The Office of the Auditor-General of Pakistan is committed to producing high quality audit reports and contributing to improved service delivery in the public sector. Driven by this vision, we developed our *Financial Audit Manual* (FAM) based on International Auditing Standards (IAS) and introduced it in 2006. The manual advocates the use of a risk-based methodology in public sector auditing and provides quality checks at all stages of an audit cycle. We revamped our training programs and developed and diffused knowledge products to embed the FAM in our practices¹ to enable auditors to use the FAM effectively in their work.

At that time, we had a Central Quality Assurance Committee (CQAC) to ensure quality in our products. The CQAC's mandate was limited to reviewing, improving, and finalizing audit reports of field audit offices (FAO). The CQAC reported that introducing the FAM had improved the quality of our audit reports to a certain extent. However, other quality-related problems remained.

Using benchmarking techniques, we followed a structured participative approach in developing and institutionalizing our quality management framework (QMF) in 2010. It uses prescribed standards as benchmarks and examines the extent of FAO compliance with these benchmarks in audit processes and reports. Although the QMF has been operative only for about 2 years, it has already improved quality of our audit processes and reports. This article shares our experience in designing and institutionalizing our QMF.²

Elements of Our QMF

SAIs should establish a quality management system that responds to the specific challenges they face. The system should help them test the existence, relevance, adequacy, and operational effectiveness of quality controls within the SAI.³ In addition, it should provide mechanisms to not only identify and fix gaps in compliance with prescribed audit standards but also locate bottlenecks requiring changes in policy, systems, and procedures. The system should allow different tiers of an SAI to make meaningful contributions toward quality improvement.

We integrated the requirements of the FAM and sectoral guidelines⁴ in the design of our QMF. In addition to ISSAI 40, we also factored in relevant EUROSAI and

¹The term knowledge product refers to templates (i.e., audit planning and reporting templates) and guidance notes included therein to help auditors apply FAM good practices in their work. Some of products are available on the SAI Pakistan's website <http://www.agp.gov.pk>.

²The QMF document is available on the SAI of Pakistan's website: <http://www.agp.gov.pk>.

³ISSAI 40 requires that the quality control regime support this goal.

⁴Based on the FAM, the SAI of Pakistan has produced 24 such guidelines that facilitate the application of the FAM in a specific sector. For example, audits conducting information system (IS) audits will use the sectoral audit guidelines for IS audit.

ASOSAI standards and guidelines. As intended, our QMF is consistent with the system of quality management envisaged in the preceding paragraph. It captures quality at all stages of an audit cycle and acts as an effective decision support system for quality management, as explained below:

Quality Assurance Mechanism: This mechanism provides reasonable assurance that our personnel comply with the professional standards and that our reports are appropriate in the circumstances. The QMF puts the responsibility for quality assurance processes with the heads of FAOs. The processes include updating the permanent file, preparing the planning file, reviewing audit planning and audit completion checklists, filling in the “Post-Audit Quality Assurance Checklist,” maintaining documentation and ensuring the completion of audits within the planned timelines, and reviewing quality assurance and quality control reports. The QMF specifies roles and responsibilities of heads of FAOs, audit wings, and other officials in these processes. Periodic quality reviews track the extent to which FAO officials have taken the required actions. Standardized templates/checklists are included in the QMF to facilitate reviews.

Quality Control Mechanism: This mechanism checks the effectiveness of the quality assurance mechanism in the FAOs and evaluates and grades FAO audit reports. An Audit Quality Management Wing (AQMW) was set up to perform these tasks. It is headed by a senior quality management specialist (SQMS) who supervises the work of a team of quality management specialists (QMS). One QMS has been placed in each of our six audit wings and reports to the SQMS. The AQMW is at sufficiently higher level within the SAI to work independently. It is staffed by experts from the marketplace, but we plan to gradually replace them with our regular officers.

- **Periodic Quality Control Reviews:** The SQMS prepares quality control review (QCR) programs covering a specific phase of the audit cycle.⁵ The SQMS notifies the FAOs of the scope and dates of the QCR and the name of the QMS who will conduct it. Each QMS randomly selects audits for the QCR. For each audit selected, the QMS compares the steps taken and documents maintained to relevant checklists. The heads of the FAOs concerned review any gaps identified in the process and reach agreement with the QMS on actions to be taken to increase compliance. The next QCR follows up on the results of previous QCRs to ensure continuous improvement. Based on individual QCRs, the SQMS prepares a consolidated QCR report, using a QMF template that aggregates all significant findings, especially those with systemic implications. This consolidated report is submitted to the auditor-general after every QCR. The SQMS is also required to produce an annual QCR report that documents strategic and operational constraints noted during different QCRs and indicates actions to address them. The annual QCR is also required to identify good FAO practices for wider diffusion.
- **Evaluation and Grading of Audit Reports:** The QMF stipulates that quality control committees (QCC) review all audit reports for quality and defines the composition and modus operandi of the QCCs. One QCC is established for

⁵Since the introduction of the QMF, the AQMW has conducted QCRs of the planning and execution phases.

each of the six audit wings and is chaired by the head of that wing. According to the QMF design, the QCC of one audit wing reviews and grades audit reports of another wing. Thus, audit reports are evaluated and graded by people who were not involved in conducting the audits or drafting the related audit reports. Rating criteria include such factors as the report structure; coherence of audit findings in describing criteria, condition, cause, and effect and recommendations; treatment and depiction of the client's response, and quality of documentation.⁶ Based on this review, the QCCs will give "A," "B," or "C" ratings to audit reports. Officers of an FAO whose reports get an "A" rating are considered for extra rewards. FAOs are required to make changes in their reports at the direction of their respective QCCs.

Quality Improvement Mechanism: Like any effective benchmarking process, the QMF supports continuous improvements in audit quality. FAOs get QCR reports showing what needs to be done to promote compliance with prescribed standards and are required to take actions agreed to with the findings of the QMSs, since the follow-up QCRs will invariably check and report on the implementation status of those actions. Audit wings get reports on quality aspects of audit operations from FAOs and the SQMS and are expected to design and implement preventive and corrective measures. Thus, continuous feedback in the form of periodic reports from internal and external quality mechanisms and timely implementation of corrective measures promote continuous improvement in audit quality. The AQMW closely monitors QMF implementation to identify opportunities to refine it.

Expect and Respond to Organizational Resistance to Change

Introducing and institutionalizing a QMF in the SAI of Pakistan was a gargantuan effort designed to bring the performance of audit wings and FAOs under closer organizational scrutiny. It was a radical change, as auditors were not used to their work being externally reviewed for quality. Thus, we anticipated some resistance to change and adopted a strategy to counter it. Our experience offers the following lessons that may be relevant to other SAIs interested in strengthening their quality management regimes.

- **Form a core team of officers with interest and experience in quality management:** Developing a mechanism for quality management is likely to be new territory for most SAIs. However, each SAI is likely to have a few officers with interest and experience in this area. These officers should be identified and made into a core team that is given detailed orientation about what needs to be done. It would be worthwhile to involve experts from the marketplace. In designing its QMF, the SAI of Pakistan not only engaged such experts but also collaborated with the government Higher Education Commission, which had developed accreditation criteria and other benchmarks for higher education.

⁶The SAI Pakistan developed a *Handbook of Quality Controls in Performance Auditing* in November 2011. The QCCs will appraise performance audit reports against criteria that capture the significance of performance audit topics, the objectives and methodology used by audit teams, and the language and structure of performance audit reports as laid down in the handbook.

- **Involve stakeholders in understanding and designing quality management arrangements:** When people participate in developing benchmarks against which their performance will be appraised, they are more likely to try to meet performance expectations. Auditors and supervisors may argue that applying the QMF will increase their work and jeopardize its quality. Thus, it is important to emphasize that even if there were no QMF, auditors and supervisors would still be required to meet prescribed standards. Workshops should be organized to help stakeholders understand the limitations of existing quality management systems and how a comprehensive QMF will improve their work quality. Workshop design should prompt participants to provide meaningful feedback that creates opportunities to refine the framework. Working intensively with its stakeholders, the SAI of Pakistan developed a shared understanding of the need to implement a quality management regime.
- **Establish organizational arrangements for quality management:** Before implementing a QMF, an SAI must set up a dedicated and properly staffed organizational unit to support quality management within the SAI. Officers who will staff this new organizational unit—whether from inside the SAI or from outside sources—should be given the necessary orientation. The SAI of Pakistan has used a mix of its regular officers and experts from the marketplace to implement its QMF.
- **Ensure that audit offices clearly understand how their work will be evaluated:** Audit offices are not used to being audited. The SAI of Pakistan's participative approach softened up the ground for change. What remained was preparing FAOs to actually support the institutionalization of a new quality management regime. Workshops should be organized to sensitize officers to their roles and responsibilities under a new paradigm. The orientation process should continue for some years so that good practices of quality management are properly embedded in audit offices. The SAI Pakistan found that organizing such workshops for heads of audit wings/FAOs helped in institutionalizing our QMF.
- **Ensure consistency in QCRs:** The quality of audit work may vary between audit offices located in different geographic locations. There may also be differences in the capabilities of staff working in quality management. To ensure that the QMF is applied consistently, staff need to be oriented to bring them onto the same page and result in consistent evaluation. The AQMW organizes such orientation sessions every time it starts a QCR.
- **Set the bar low in the beginning but gradually raise it:** The QMF provides mechanisms that will gradually push audit offices into full compliance with requirements. Thus, in the early years, the SAIs should set a low bar for their audit offices and then gradually raise it. In the SAI of Pakistan, the QMSs' grading of audit and exception reports is, by design, not as stringent as it could be. The AQMW is gradually increasing the rigor of its appraisal.
- **Integrate quality dimensions in capacity-building programs:** Training interventions should emphasize the need for quality at every stage in the audit cycle to promote a culture of due diligence among auditors. We continue to work

with our training establishment to mainstream quality dimensions in our training programs.

Conclusions

Aligning audit codes and manuals with International Standards on Auditing or ISSAIs is the first critical step in improving the quality of SAI work. However, significant progress in improving quality will occur only if auditors apply prescribed standards in their work, which is easier said than done. Our QMF demonstrates how an SAI may handle this challenge. It makes a clear distinction between quality assurance and quality control processes and shows how the two, working together, can increase compliance with prescribed auditing standards and enhance the effectiveness of an SAI's audit operations. Introducing a QMF will trigger resistance to change with an SAI and the latter needs to take appropriate steps to mitigate this risk. In the SAI of Pakistan, the impact of implementing the QMF is already visible in improved compliance with prescribed standards and the quality of audit reports.

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Interviewing: An Essential Communication Skill for SAI Auditors

by Nicholas M. Zacchea, U.S. Government Accountability Office (retired)

In the April 2012 issue of this *Journal*, Hassan Khosravi of the Supreme Audit Court of Iran suggested in his article, “Auditors and Effective Communication Skills,” that study in accounting and auditing does not usually include communication skills.

He observed that because humans conduct auditing and accounting, the lack of focused training in communication skills may be an oversight. He proposed that SAI auditors receive training in communication skills and that SAIs should actively promote those skills.

Experience has shown, and practitioners agree, that auditors cannot function without communicating. The ability to communicate plays an indispensable role in assuring auditor success and managing a successful SAI. Auditors trained in communication skills conduct audits more efficiently and effectively and are more productive. Significantly, such training helps SAIs conserve human and financial resources and better serve their stakeholders.

The ability to interview is an important communication skill an auditor must possess. If communications skills are essential to effective auditing and accounting, and auditing curricula do not adequately encompass communication skills, it is important for SAIs to ensure that their auditors are adequately trained in interviewing techniques.

Effective Auditors Are Proficient Interviewers

Interviewing is an effective communication technique that SAI auditors routinely utilize to accomplish audit objectives.

Auditors must be skilled interviewers to do the following:

- **Acquire audit evidence.** Collecting audit evidence is a fundamental reason an SAI auditor communicates. Much of the audit evidence collected results from auditors asking questions. Auditors identify individuals believed to be able to provide evidence and then, through interviews, collect that evidence.
- **Obtain referrals to data sources.** Auditors have a continuing need for data for use as audit evidence. The identification of data sources generally originates from auditor-conducted interviews. Auditors seek out and interview individuals who can identify data sources that will yield audit evidence.
- **Obtain background information.** Background information, essential to acquiring entity-related knowledge, facilitates an understanding of the audit environment. By interviewing knowledgeable individuals, SAI auditors acquire useful background, including historical, financial, social, operational, cultural, and demographic information.

- **Obtain corroborating evidence.** Once audit evidence is collected, SAI auditors can save scarce and valuable time by initiating corroboration through interviews.
- **Test audit hypotheses, theories, and ideas.** At various audit junctures, SAI auditors must communicate hypotheses, theories, and ideas about an audit's objectives, scope, and methodology to audit colleagues, auditees, and others. This is facilitated through a series of professionally conducted interviews.
- **Learn about audit subjects.** Generally, no two SAI audits are exactly alike, particularly performance audits. SAI auditors must communicate with those engaged in the activities being audited to comprehend the nuances and intricacies of those activities. The interview is central to that process.
- **Inform and persuade others.** Sound communication skills are essential in obtaining agreement as to the accuracy of evidence collected and helping ensure that conclusions and recommendations are clearly understood and convincingly articulated. SAI auditors elicit, through interviews, views of entity personnel to assess their concurrence with the evidence collected and determine their agreement with conclusions and recommendations.
- **Lead, instruct, and teach staff.** SAI audits are generally carried out in a supervised team mode. Supervisory auditors must be sufficiently skilled in communication techniques to lead, instruct, and teach staff. To assure that staff fully understand audit objectives and know how to apply audit methodologies, supervisory auditors communicate with staff, asking questions that help provide that assurance.

Clearly, the ability to interview is a communication technique that SAI auditors must possess if they are to discharge their responsibilities efficiently and effectively.

The Nature of the Audit Interview

The primary objective of an audit interview is determining what the interviewee knows and does not know, and the nature and extent of the interviewee's knowledge.

Many auditors have a limited understanding of the nature of the audit interview, believing that it is simply about asking questions. Understanding what an interview is and is not helps SAI auditors put interviews in perspective.

What an Audit Interview Is

An audit interview is a technique for efficiently and effectively collecting accurate, useful, complete, and relevant information for use as working knowledge, audit evidence, and a means for skillfully and professionally accomplishing audit objectives. It can be described as follows:

- **A vehicle for the transmission of information from one person to another.** Interviewees have information useful to auditors. An interview is the means by which that information transits from interviewees to auditors.
- **A data collection tool to accumulate needed information.** Auditors use many data collection tools. The interview is one of those tools and is used as carefully

and precisely as statistical sampling, quantitative methods, computer-assisted audit techniques, and other data collection tools.

- **A conversation with a specific purpose.** Some audit interviews are conducted without a clear understanding of what auditors want to achieve. Auditors must have a clear understanding of the interview's purpose and what the interview is intended to accomplish.

While it has been suggested that an interview is the weakest form of evidence, the audit interview is a primary means for collecting evidence.

What an Audit Interview Is Not

Interviewers must be aware of the hazards that may evolve during an interview. These vulnerabilities can interfere with the efficient and effective collection of information and avert the interview's intent.

- **Lectures.** Audit interviews become lectures when interviewers lecture an interviewee and ask few questions. SAI auditors must remember that their role during an interview is to ask questions and listen to answers, not lecture the interviewee. Interviews also become lectures when interviewees view the interview as an opportunity to lecture auditors. Auditors must ensure that the interviewee addresses the questions raised and does not dominate the auditors' time with lectures.
- **Group discussions.** Occasionally SAI interviews are attended by more than one interviewee. Such settings often become group discussions where essential information is not elicited from the interviewees. Interviews with groups or in the presence of monitors often disintegrate into group discussions. It is unwise to interview more than one person at a time.
- **General conversations.** Some interviews become general conversations when they evolve into discussions where the pleasure of intellectual enlightenment or the joy of discourse is the only result. When interviews become general conversations, little or no useful information materializes and costly SAI time is wasted.
- **Interrogations.** Interviews resemble interrogations when the interviewer conveys the impression that the interviewee is in custody and his or her presence is involuntary. Audit interviews are noncustodial; interviewees consent or agree to be interviewed. While an interviewee generally has the option of not consenting to an interview, some employees, particularly government employees, may be required to cooperate with an interviewer.

If these hazards emerge during an interview, auditors must make certain that they are recognized and remedied.

Auditors Must Be Aware of Impediments to Effective Interviews

An impediment is anything that interferes with the auditor's ability to conduct an interview and obtain accurate and complete information. An interviewee's behavioral

reactions during an interview can become impediments and reduce the interview's productivity.

The SAI auditor will encounter certain types of interviewee behaviors, either real or contrived, that can be impediments, including the following:

- **Nervousness.** The auditor must reassure the interviewee. The auditor must attempt to determine the reasons for the nervousness and address them, bearing in mind that the observed nervousness may be feigned.
- **Confusion.** Often the interviewee acts confused about the interview's purpose. The auditor should reiterate the interview's objectives and clarify the questions. Again, the confusion may constitute an attempt to obstruct the interview.
- **Over-friendliness.** A friendly interviewee can be distracting. Overfamiliarity should be avoided because of the possible loss of objectivity. The auditor should be careful of engaging in too much small talk and should quickly develop a sense of how much is appropriate.
- **Hostility.** Auditors should not be intimidated by hostility and never respond to it in kind. Reasons for the hostility should be isolated and dealt with appropriately. Interviews need not be terminated unless an auditor perceives the possibility of personal or other danger.

Interviewee behaviors often have their genesis in the cultural, educational, and experiential differences between interviewees and interviewers. Because these behaviors can influence an interview's outcome, auditors must recognize and acknowledge them and be prepared to adapt their interview techniques to accommodate them.

When planning an interview, an SAI auditor must consider all possible impediments so as to reduce their impact on the interview. Some experienced auditors consider it feasible to conduct pre-interview discussions with interviewees. Establishing a rapport with the interviewee can create a setting for the interview. This practice may obviate or reduce the impact of these impediments.

Determining Whether an Interviewee Is Being Truthful

Lying or deceitfulness during an interview often occurs because interviewees want to shirk responsibility, avoid punishment, or garner reward. If an interviewee is being deceitful during an interview, it can cause him or her some stress, which may then precipitate noticeable attempts at evading responses.

Indicators of potential deception include the following:

- **Changes in speech patterns.** The interviewee slows down or speeds up responses to certain questions.
- **Repeating the question.** The interviewee repeats the interviewer's questions, taking that time to craft a deceptive or nonresponsive reply.
- **Nonrelevant comments.** The interviewee interjects comments irrelevant to the questions asked in an obvious attempt to distract the interviewer.

- **Excuses.** The interviewee, feeling the stress of being held accountable, conjures up excuses or begins to blame others.
- **Oath-like statements.** The interviewee swears or utters vows when responding to questions, attempting to convince the interviewer that what is being said is truthful.
- **Character testimony.** The interviewee suggests that the interviewer ask the interviewee's colleagues to attest to the interviewee's character, abilities, or truthfulness.
- **Answering a question with a question.** The interviewee repeatedly asks questions instead of responding to the questions asked.
- **Overuse of respect.** The interviewee showers the interviewer with exaggerated and insincere compliments, attempting to gain the interviewer's favor.
- **Manipulation.** The interviewee, attempting to dissipate stress, plays with objects at hand like pencils, a tie, a cup, or papers.

SAI auditors must be alert for verbal and physical cues while listening to an interviewee's responses and should be fully aware of how the interviewee sounds and behaves during the interview. Attentive listening helps the auditor judge the reliability of the interviewee's answers and facilitates an assessment of the interviewee's integrity.

Conclusion

The ability to interview is one of the most important skills SAI auditors can possess. Effectively conducted interviews result in the accumulation of accurate, useful, complete, and relevant information needed to accomplish audit objectives. Poorly conducted interviews may increase an audit's cost, diminish the quality of audit outcomes, and damage an SAI's reputation by creating doubts about its integrity and reliability. SAI auditors with well-developed communication skills, including the well-honed ability to conduct interviews, are an asset to SAIs and their stakeholders.

It is important for SAIs to make certain that their auditors are adequately trained in communication techniques that specifically include interviewing skills. Accordingly, SAIs should actively promote the development of communication skills and ensure that their auditors are well-trained in interviewing techniques.

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In this article, the author discusses the role of audit committees in Irish government departments and also the interaction between the Irish SAI and these audit committees. SAs may find this discussion of the Irish experience helpful as they consider the role and benefits of audit committees in their countries.

The Role and Benefits of Audit Committees in Irish Government Departments

by Dermot O'Riordan, Institute of Public Administration, Dublin, Ireland

Audit committees are an integral part of the corporate governance framework of today's public sector and have been established in Irish government departments in recent years, especially since a 2003 Department of Finance report recommended their introduction for all departments. In Ireland, a secretary general is the civil service department head for each of the 15 government departments. Under his/her minister, the secretary general is responsible for a wide range of functions, including managing the department and implementing government policy. This article, which draws from the author's 2010 doctoral thesis, concludes that there is a strong consensus among secretaries general that their audit committees provide valuable benefits in the assurance they provide, their independence, their support and oversight of internal audit, their provision of early warning on issues, the resources they make available, and their impact on department managers. As public sector audit committees in the United Kingdom and Ireland are an under-researched area, this article contributes to an understanding of the role the committees play in government departments.

As Irish government departments do not have a board to appoint an audit committee or to hold the secretary general accountable, the secretary general establishes an advisory audit committee that reports to him/her. The secretaries general support the committees' work and independence to ensure they have an impact on their departments. They encourage their committees to act independently, manage themselves, and carry out their remit. To underpin the committees' independence and contributions, the secretaries general appoint members who bring their knowledge, skills, and background to focus on issues such as audit, controls, and risk management.

The following sections discuss the involvement of the secretaries general with their committees, committee membership, and the benefits of the committees to the secretaries general. There is also a discussion of the interaction between the audit committees, secretaries general, and the Irish comptroller and auditor general and the committees' role in the oversight of moneys from the European Commission.

The Involvement of the Secretaries General with Their Audit Committees

Audit committees in government departments are generally involved with reviews of internal controls, support and monitoring of internal audit, and risk management, and some committees request internal audits to carry out value for money studies. The secretaries general approve the charters/terms of reference of their committees and any changes to them, provide input into the content of the internal audit units' work plans, and maintain a high level of interest in the work of their audit committees. The secretaries general meet with the committee chairs at least once a year to review the preceding year and plan for the coming year. They can also arrange to meet if an

issue of concern arises during the year. They keep up to date on the committees' work during the year by receiving briefings from senior officials they appoint as internal committee members and the heads of internal audit, who attend their meetings, and also by receiving the committees' papers, minutes and reports.

The Membership of Audit Committees

The secretaries general place great importance on recruiting the chair and members of their audit committees. They are personally active in sourcing members and approve the appointment of new members. They also appoint internal members from their own departments and invite the participation of external members from other government departments, the wider public sector, and the private sector. They see the role of committee chair as critical to the committee's success and look for candidates with such qualifications as authority, integrity, externality, independent-mindedness, questioning, and familiarity with the public sector. This latter issue is particularly important when considering the experience of both the chairs and the external members.

The secretaries general believe that appointing internal members to the committees from senior officials in their own departments provides the perspective and experience of officials familiar with departmental workings. They also appoint external members, including an external chair, to their committees to introduce an external perspective and expertise as well as credibility to support the committees' standing within and outside their departments and to strengthen the position of the internal audit unit. For most audit committees, external members comprise the majority.

While the secretaries general have the prerogative to appoint committee members, they make an effort to ensure that members, and particularly the external members, have independence, credibility, and experience to contribute to the committee work. This indicates their recognition of the importance of their committees' independence.

The Benefits of Audit Committees to Secretaries General

The secretaries general see their committees as providing assurance through the work they and internal audit carry out in reviewing the department's systems and procedures. The audit committee's independence arises from its being outside the department's normal reporting structure and chaired by an individual who is not an official of the department. This structure coupled with the members' backgrounds gives it credibility and supports the committee's independence.

The secretaries general consider their audit committees as having a major role in supporting and overseeing their internal audit units. By their nature, these units have a high degree of independence within a government department—they report to the secretaries general on their work but are not subject to their direct supervision. The secretaries general rely on their audit committees to support their internal audits by giving advice and guidance, overseeing the units' development and delivery of the annual audit plan and the quality of their work, and monitoring line management's implementation of the recommendations in internal audit reports received by the committees.

Several secretaries general see the chairs of their audit committees as a personal resource available to them to provide advice and assistance in relation to audit, risk, and corporate governance matters generally. The secretaries general encourage the committees to take an active and visible role in their departments by supporting their inviting officials to attend committee meetings as required to either provide briefings on their areas of responsibility or account for their implementation of recommendations arising from internal audit reports affecting their areas. The secretaries general regard the committees as making an impact through their influence on governance, programs, and processes within their departments.

Audit Committees, Secretaries General, and the Comptroller and Auditor General

In Ireland, the Office of the Comptroller and Auditor General (C&AG) is the statutory external auditor of the financial statements of most public sector organizations, including government departments. Thus, government departments do not have any influence over the appointment of their external auditor nor does a department audit committee have a role in the selection or performance review of the external auditor, as is commonly done in the private sector. However, several secretaries general spoke about the importance of the audit committee maintaining good relations with the C&AG auditor. Department audit committees usually invite the C&AG auditor to meet with them annually to exchange views and discuss any observations the auditor has as a result of undertaking the audit.

The secretary general is also the accounting officer for his/her department and, as such, is accountable to the Public Accounts Committee (PAC) of Dáil Éireann (the lower house of the Irish Parliament). The accounting officer signs the department's annual financial statements, known as the appropriation accounts. C&AG staff audit these accounts and report to Dáil Éireann, via the PAC, on their findings. The secretaries general see the audit committee as a mechanism to provide an early warning of issues in their departments so that action can be taken internally. The secretaries general believe that if their departments discover an issue and take action on it, then—depending on its materiality and significance—the C&AG may choose to recognize that the departments have taken the necessary corrective actions to resolve an issue rather than leaving it to the external auditor to highlight it. As a result, the C&AG may choose not to pursue it any further in its annual report to Dáil Éireann.

Audits of Moneys Received from the European Commission

The committees provide a benefit to the secretaries general through their involvement with the audits of the expenditure of moneys from the European Commission. Several secretaries general described the importance of their accountability to the European Commission for spending the moneys received from this source. The Irish Exchequer spends its own funds on some commission projects. If the commission is not satisfied, it can decline the refund, leaving the Irish Exchequer to foot the bill. While secretaries general do not personally appear in front of the commission, as they do with the Public Accounts Committee, their accountability for the use of this body's resources is nonetheless treated as a very important issue for those secretaries general affected.

This parallel accountability framework has a significant implication for the role and work of audit committees in those departments. Those committees give a great deal of attention to audit work undertaken in this area so they can provide assurance to the secretaries general on the expenditure of the funds from the European Commission in addition to their other areas of focus in the department. Also, several secretaries general saw the European Commission as having a strong influence on the establishment of audit committees in their department in the first place as part of the discipline of spending moneys allocated by the commission.

Conclusion

The Secretaries General support the work and independence of their audit committees to ensure they have an impact on their departments. They allow and encourage their committees to act independently, manage themselves, and carry out their remit. They are very involved with and interested in committee work and appoint members who will underpin the independence of and contribute to the committees. The membership of audit committees in government departments consists of individuals who bring their knowledge, skills, and background to focus on departmental governance. These members can have a significant influence because their appointment has been personally approved by the secretaries general. Audit committees in government departments bring an increased focus on issues such as audit, controls, and risk management. While audit committees in departments are advisory in nature, they can have an impact as an independent structure within the departments whose members focus on these issues on behalf of the secretaries general.

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A graphic featuring a stylized globe with a grid of latitude and longitude lines. Overlaid on the globe is the text "Spotlight on ISSAIs" in a large, bold, serif font. The word "Spotlight" is positioned above "on ISSAIs". The globe is rendered in shades of gray and white, with a subtle glow effect.

Spotlight on ISSAIs

by Mette E. Matthiasen, Professional Standards Committee Secretariat

For the past 2 years, the members of the Professional Standards Committee (PSC) have undertaken a massive effort to create awareness of the ISSAIs and pave the way for their adoption and implementation in the INTOSAI community.

Since the adoption of 37 new ISSAIs at the XX INCOSAI in 2010, the Secretariat and five subcommittees of the PSC have delivered numerous presentations on the ISSAI framework and individual ISSAIs to SAIs around the world. The World Bank is now an important partner in ISSAI implementation, and two video conferences were set up with World Bank representatives in February and May 2012: one video was presented in collaboration with the INTOSAI Development Initiative (IDI) and the AFROSAI-E Secretariat and the other was presented to World Bank financial management specialists. The latter was presented in collaboration with IDI and the U.S. Government Accountability Office in Washington, D.C.

Implementing the ISSAIs

The many activities to focus attention on and create awareness of the ISSAIs appear to have been successful. Many SAIs are now seriously considering adopting and implementing the ISSAIs in their organizations. Doing so is, however, not an easy task, and the previous demand for awareness-raising activities has been succeeded by an equally large demand for implementation assistance, which entails training staff, revising or developing new audit manuals, and other activities.

In response to this growing demand, IDI—with the World Bank as a financing partner—has launched the IDI 3i Program, an extensive effort designed to support SAI implementation efforts. On a considerably more modest scale, the PSC has introduced a new page (*Facilitating ISSAI implementation*) on its website that provides access to information to help SAIs contemplating a partial or full adoption of the ISSAI framework. A similar page and links was added to the ISSAI website (<http://www.issai.org>) in December 2012. Please contact the PSC Secretariat (psc@rigsrevisionen.dk) if you have knowledge or experience that can easily be shared with your peers on either website.

Twelve New ISSAIs and One New INTOSAI GOV in the Pipeline

Working groups under the Capacity Building and Knowledge Sharing Committees have developed ISSAIs covering a broad range of subjects.

Value and Benefits of SAIs

A working group chaired by the SAI of South Africa has developed a new ISSAI, *The Value and Benefits of SAIs—Making a Difference to the Lives of Citizens*.

The ISSAI presents 12 principles that are deemed essential for the independence and effectiveness of SAIs and is open for comment on <http://www.issai.org> until February 28, 2013.

Accountability for and Auditing of Disaster-related Aid

The European Court of Auditors is chairing the Working Group on Accountability for and Audit of Disaster-related Aid, which has produced five new ISSAIs and one new INTOSAI GOV. The ISSAIs provide information, advice, and examples of best practice across the disaster management cycle as well as information on key issues, such as the risk of fraud and corruption and the use of geospatial information as an audit tool.

In addition to the five ISSAIs, the working group has also developed a new INTOSAI GOV on the Integrated Financial Accountability Framework (IFAF), a simple and transparent format for reporting humanitarian aid for all parties involved—donors, recipients, and all intermediaries.

The comment period for the five ISSAIs ended December 31, 2012. The new INTOSAI GOV is to be ready for exposure early in 2013.

Guideline for the Audit of Prevention of Corruption in Government Agencies

A subgroup under the Working Group on the Fight against Corruption and Money Laundering, which is chaired by the SAI of Egypt, has developed guidance on the audit of corruption prevention in government agencies. An exposure draft of this new ISSAI is to be posted on <http://www.issai.org> on April 1, 2013, for comment by INTOSAI members and other interested parties.

Guideline for Cooperative Audits

Led by the SAI of Peru, subcommittee 2 under the Capacity Building Committee has developed guidance on cooperative audits. An exposure draft of the document is to be posted on <http://www.issai.org> early in 2013.

Fundamental Auditing Principles

The ISSAI Harmonization Project, which was established late in 2010 and is led by the PSC Secretariat, is about to enter its final phase: The project team has revised the INTOSAI fundamental auditing principles (ISSAIs 100–400) on level 3 of the framework. All four new ISSAIs are currently exposed on <http://www.issai.org> with the comment period ending on February 15, 2013. You can read more about the new Fundamental Auditing Principles in a separate article in this issue of the Journal.

For additional information, contact the PSC Secretariat at psc@rigsrevisionen.dk.

INTOSAI- *Donor Cooperation* *Update*

Steering Committee Agrees to Expand the INTOSAI-Donor Cooperation

by the INTOSAI-Donor Cooperation Secretariat

The U.K. National Audit Office hosted the 5th Steering Committee meeting of the INTOSAI-Donor Cooperation in London October 18–19, 2012. The meeting had a record attendance and included a ceremony to celebrate the signing of the INTOSAI-Donor memorandum of understanding (MOU) by three additional donors: the Asian Development Bank, the Australian Agency for International Development, and the GAVI Alliance. The MOU now has 19 donor signatories.



Participants in the meeting of the Steering Committee of the INTOSAI-Donor Cooperation in London in October 2012

Results of the INTOSAI-Donor Cooperation to Date

At the meeting, participants applauded the concrete results of the cooperation since its establishment in 2009. These include a range of initiatives aimed at strengthening SAIs in developing countries. In particular, participants welcomed the progress being made since the 2011 Global Call for Proposals to match proposals for SAI capacity development initiatives with providers of support. Interest has been expressed in more than 40 of the 55 proposals submitted, including funding of the following new SAI capacity development initiatives:

- the African Development Bank providing US \$434,000 for performance auditing in 23 SAIs in French-speaking Africa,
- USAID and the INTOSAI Development Initiative (IDI) working together to strengthen the ARABOSAI Secretariat and train trainers in the SAIs of ARABOSAI,
- World Bank support of the SAIs of Moldova and Maldives, and
- the Swedish National Audit Office entering into cooperation with the SAI of Uganda.

Following the success of the 2011 Global Call for Proposals, it was decided to undertake annual Global Calls for Proposals starting in 2013.

Participants expressed their appreciation for the SAI Performance Measurement Framework, which the Working Group on the Value and Benefits of SAIs is developing with the INTOSAI-Donor Secretariat as coordinator. The Steering Committee agreed to support piloting of the framework in INTOSAI regions during 2013–2014.

Future Direction of the Cooperation

At the meeting, the Steering Committee discussed the future direction of the cooperation during its second phase (2013–2015) and agreed to expand activities going forward. New activities to be undertaken under the auspices of the cooperation are

- facilitating research on SAIs, including the audit of revenues from industries that extract nonrenewable resources (such as oil and gas);
- contributing to work on strengthening the supply-side of support to SAIs;
- gathering lessons learned and evidence on capacity development support to SAIs; and
- assessing the impact of the INTOSAI-Donor Cooperation in 2014–2015.

Several of the activities will be carried out in collaboration with other INTOSAI bodies. The INTOSAI-Donor Secretariat will also expand its role as a knowledge center for support to SAIs. This will include training for the donor community on working with SAIs, as well as supporting SAIs (through INTOSAI regional bodies) in engaging with donors and writing funding proposals.

The Secretariat will continue to host the SAI Capacity Development Database, which contains information on close to 250 SAI capacity development projects globally, and which donors and other providers of support actively use to increase coordination of support.

More information on the INTOSAI-Donor Cooperation can be found on the IDI website: <http://www.idi.no/artikkel.aspx?MIId1=67&AIId=401>.



63rd INTOSAI Governing Board Meeting Held in China

When:	November 19–22, 2012
Where:	Chengdu, China
Host:	China National Audit Office
Participants:	Representatives of the SAIs of Austria, Bahamas, Brazil, Cameroon, China, Cote d'Ivoire, Denmark, Ecuador, Egypt, Estonia, France, Hungary, India, Korea, Libya, Mexico, Morocco, New Zealand, Norway, Pakistan, Panama, Poland, the Russian Federation, Saudi Arabia, South Africa, Spain, Sweden, the United Kingdom, the United States of America, and Venezuela; the European Court of Auditors; the INTOSAI Development Initiative; and the United Nations.

From November 19–22, 2012, the INTOSAI Governing Board met in Chengdu, China, hosted by the China National Audit Office. Representatives from 31 different SAIs in their capacities as INTOSAI Governing Board members and rapporteurs from INTOSAI committees, subcommittees, working groups, and task forces, as well as an Under Secretary General of the United Nations, participated.

A number of specific motions were presented and approved at the meeting, including the following:

- Endorsement of the Rules of Procedures for the XXI INCOSAI to be held in Beijing, China, October 22–27, 2013, as well as a decision on the Beijing Declaration to be adopted by the XXI INCOSAI as the single final congress document.
- Approval of the full membership of the SAI of South Sudan, raising INTOSAI to 191 full members.
- Approval of INTOSAI's dual priorities for 2013: implementation of (1) UN General Assembly Resolution A/66/209 and (2) ISSAIs and INTOSAI GOVs.
- Reestablishment of the Task Force on Strategic Planning under the Finance and Administration Committee.
- Establishment of the INTOSAI Standing Supervisory Committee on Emerging Issues to report, under the INTOSAI chair, directly to the Governing Board.
- Approval of the *INTOSAI Response Mechanism for Emerging Issues* document explaining how INTOSAI will deal with future emerging issues.
- Decision that the chair of the Capacity Building Committee will, in cooperation with the INTOSAI Development Initiative (IDI), act as focal points for INTOSAI's relations with the OECD-DAC (the Organization for Economic

Cooperation and Development's Development Assistance Committee) and the broader development community.

- Decision that the SAI of the United Arab Emirates will host the XXII INCOSAI in 2016.
- Support for the establishment of a sustainable solution to handle development and maintenance of the ISSAI framework in the future.
- Decision to withdraw INTOSAI GOVs 9200, 9210, 9220, and 9230.
- Confirmation that the Governing Board will move toward fully applying all aspects of the *Due Process for INTOSAI Professional Standards* by 2013, urging INTOSAI committees, subcommittees, working groups, task forces, and project groups to comply with the regulations established therein.
- Transition of the chair of Peer Review Subcommittee from the SAI of Germany to the SAI of Slovakia, effective immediately.
- Transition of the chair of the Working Group on Environmental Auditing from the SAI of Estonia to the SAI of Indonesia, effective from the XXI INCOSAI in 2013.
- Transformation of the Task Force on the Global Financial Crisis: Challenges to SAIs into the Working Group on Financial Modernization of Regulatory Reform of Financial Markets and Institutions.

During the meeting, the goal chairs and regional working groups reported on their activities.

Goal 1 Chair Bettina Jakobsen of Denmark reported on activities of the Professional Standards Committee (PSC) and its subcommittees. Highlights of her report include the following.

- The SAI of Denmark expressed its desire to continue to chair the PSC until 2016 to secure the professional quality and development of the ISSAI framework in the future. The board approved this request.
- The PSC has established a formal cooperation with the International Federation of Accountants.
- With the endorsement of ISSAIs 20 and 21, the Project on Transparency and Accountability has accomplished its mission and been dissolved, upon the recommendation of the SAI of France.
- Exposure drafts of ISSAIs 100, 200, 300, and 400 have been posted on the ISSAI website, and all INTOSAI members are encouraged to provide their comments. (For additional information, see the article on p. 16 of this issue.)
- The Project on Audit Quality Control is developing a self-assessment tool for SAIs to use to assess their compliance with ISSAI 40, *Quality Control for SAIs*.
- The Performance Audit Subcommittee was actively involved in drafting ISSAI 300 and participating in the ISSAI Harmonization Project.

See pp. 44-47 for additional news about the PSC and its subcommittees.

Goal 2 chair Driss Jettou of Morocco reported on capacity-building activities, advisory and consulting services, and peer reviews. See pp. 47–49 for additional news about the Capacity Building Committee and its subcommittees.

Einar Gorrissen of the INTOSAI Development Initiative (IDI) provided a progress update on IDI focusing on the ISSAI Implementation Initiative (3i Program). Highlights included the following:

- ISSAI implementation will be a long-term endeavor, and IDI will incorporate ISSAI implementation as a core part of its 2014–2021 strategic plan.
- The 3i Program is the largest, most ambitious initiative that IDI has undertaken, with plans to roll it out for developing country SAIs in four INTOSAI languages following its introduction in English. World Bank funds are being used to launch the program. The 3i Program benefits from substantial in-kind support from INTOSAI committees and regions and individual SAIs.
- The ISSAI Compliance Assessment Tool (iCAT) is a needs assessment tool that has been developed to help SAIs create awareness of the challenges and opportunities that they face in their implementation efforts.
- Under the 2012–2013 ISSAI Certification Program, 261 participants from 67 SAIs in 5 INTOSAI regions will be trained (in English) to become certified ISSAI facilitators.
- IDI is seeking additional funding for the rollout of the 3i Program in Arabic, French, and Spanish. INTOSAI members are encouraged to support IDI efforts to secure funding from national authorities as appropriate.

See pp. 65–67 for a summary of recent IDI activities.

The SAI of Korea reported that progress on the joint United Nations/INTOSAI Platform for Public Accountability, which was unanimously agreed upon at the XIX INCOSAI, has been delayed. However, this initiative is to be taken up again by the United Nations (UN) under a new title, the INTOSAI Platform for Cooperation with the UN. The platform's main objective is to identify options and methods of making audit more effective through partnerships with civil society organizations, and it is chaired by the Board of Audit and Inspection of Korea. In the UN Department of Economic and Social Affairs, the Division of Public Administration and Development Management is coordinating the inputs of the UN and the International Budget Project, a Washington-based nongovernmental organization that specializes in participatory audit.

Goal 3 chair Vinod Rai of India reported on knowledge-sharing activities, including the following:

- At the Knowledge Sharing Committee's (KSC) meeting in Luxembourg in September 2012, the Working Groups on Accountability for and Audit of Disaster-related Aid and the Value and Benefits of SAIs presented several ISSAIs, which were approved as exposure drafts.
- The KSC work plan for 2011–2013 focuses on a review and evaluation of the scope of its working groups and task forces and lists future KSC activities under four major areas:

- establishing new and maintaining existing working groups;
 - facilitating best practice studies consistent with diversity and sovereignty considerations;
 - encouraging effective INTOSAI communication; and
 - promoting partnerships with academic institutions, research institutions, and professional associations in accordance with INTOSAI's independence requirements.
- The possibility of establishing a working group on public procurement in 2013 is being researched. Interested SAIs were asked to express their interest to the KSC chair, the SAI of India.

See pp. 50–55 for additional news about the Knowledge Sharing Committee and its subcommittees.

Goal 4 chair Osama Jafar Faquih of Saudi Arabia summarized goal four activities, which included the following:

- The current Finance and Administration Committee (FAC) priorities reflect some of the most urgent priorities for INTOSAI as a whole:
 - monitoring the implementation of the strategic plan,
 - actively participating in the INTOSAI-Donor Steering Committee,
 - evaluating the finances of INTOSAI, and
 - supporting work to ensure sustainable future financing for INTOSAI through the newly formed Task Force on INTOSAI Financial Foresight.
- The FAC proposed the reestablishment of the Task Force on Strategic Planning, to be chaired by the SAI of the United States and to work under the umbrella of the FAC, to develop INTOSAI's third strategic plan (for 2017–2022). This proposal was approved by the Governing Board.

Mr. Faquih also reported on the status of the INTOSAI-Donor Cooperation. At the fifth meeting in October 2012, the Steering Committee agreed that the cooperation's future activities should focus on the following seven broad themes:

- INTOSAI-Donor Cooperation management;
- funding mechanisms and project identification, including global calls for proposals;
- the SAI Performance Measurement Framework;
- a knowledge center to support SAIs, including training donor officers to understand and work with SAIs and building the capacity of INTOSAI regions to support their members' engagement with donors;
- strengthening the supply of support to SAIs;
- promoting research and evidence on SAIs; and
- monitoring, evaluating, and identifying lesson learned.

See pp. 38–39 for additional information on the INTOSAI-Donor Cooperation.

The 64th and 65th meetings of the INTOSAI Governing Board will be held in conjunction with the XXI INCOSAI, to be held October 22–27, 2012, in Chengdu, China.

For additional information, contact the INTOSAI General Secretariat:

E-mail: intosai@rechnungshof.gv.at

Website: www.intosai.org

Professional Standards Committee

New Public Member of the IAASB

The International Auditing and Assurance Standards Board (IAASB) has confirmed INTOSAI's nomination through the Professional Standards Committee (PSC) of Jonas Hällström, Project Director in the Swedish National Audit Office, as a public member of the IAASB for 2013–2015. His term began on January 1, 2013, and he succeeds Gert Jonsson, who completed his term at the end of 2012.

Denmark to Continue as Chair of the PSC

Bettina Jakobsen, chair of the PSC, has informed the members of the PSC Steering Committee that the SAI of Denmark will continue as chair until the end of the next mandate period (2016).

The main task for the PSC in the next mandate period will be establishing a sustainable solution to handle development and maintenance of the ISSAIs in the future.

For additional information, contact the PSC at <http://www.psc-intosai.org>.

Financial Audit Subcommittee

Expansion of Subcommittee

The INTOSAI Financial Audit Subcommittee (FAS) completed its initial work in 2010 when the XX INCOSAI in Johannesburg endorsed the full set of ISSAIs on financial auditing. Since then, FAS has focused on (1) continuing its work with new and revised International Standards on Auditing (ISA) and awareness-raising issues and (2) preparing to participate in the INTOSAI Development Initiative's (IDI) ISSAI Implementation Program. To be able to support IDI in all geographical areas of the INTOSAI community, FAS has expanded from 11 to 18 member SAIs. The new members are the SAIs of China, France, India, Kuwait, New Zealand, Russia, and the United Arab Emirates in addition to the existing membership: Cameroon, Canada, the European Court of Auditors, Korea, Mexico, Namibia, Norway, South Africa, Sweden, the United Kingdom, and the United States of America.

Sweden Resigns as FAS Chair

The Swedish National Audit Office (NAO) has chaired FAS for a substantial period of time. The Swedish NAO became chair of the INTOSAI Auditing Standards Committee (predecessor to the Professional Standards Committee (PSC)) in 1995 and also took on the chairmanship of the Working Group on Financial Audit Guidelines in 2002. When those bodies were reorganized to become the PSC and FAS in 2005, the Swedish NAO volunteered to chair FAS, and Deputy Auditor General Gert Jonsson has served as chairperson since then. The normal period for chairmanship in INTOSAI is, according to statute, 6 to 9 years. The Swedish NAO has also carried a substantial financial burden for the project throughout the years.

Based on the above, the Swedish NAO has decided to step down from the chairmanship in conjunction with XXI INCOSAI in Beijing later this year. It will, however, remain an active member of the subcommittee in the future. With another year to go before a new chair can take over the responsibilities, the subcommittee's work will continue as planned and all steps necessary to prepare for a smooth transition will be taken. Well established and documented procedures have been set up for the chairmanship, the project director, and the secretariat.

Annual FAS Meeting in Stockholm

FAS held its annual meeting October 1–2, 2012, in Stockholm. The meeting focused on the ongoing work within the PSC harmonization project concerning the ISSAIs on the third level of the ISSAI framework. Furthermore, preparations to support IDI's implementation activities were discussed. Minutes from the meeting will be available on the FAS website in due course.

For additional information, contact FAS at <http://www.psc-intosai.org/fas>.

Compliance Audit Subcommittee

The INTOSAI Compliance Audit Subcommittee (CAS) held its 10th annual meeting September 19–20, 2012. The National Audit Office of Lithuania (NAO), a member of the CAS since 2004, hosted the meeting in Vilnius. In her opening speech, Deputy Auditor General Nijolė Mickuvienė said, “The activities of the Compliance Audit Subcommittee are of high importance to us. New compliance audit guidelines developed by the CAS are very useful for public sector auditors, since the main objective of this audit is to assess whether state-owned property is managed and used in compliance with the established requirements. This is also one of the main tasks of the National Audit Office of Lithuania.”



Participants in the 10th meeting of the Compliance Audit Subcommittee in Lithuania in September 2012.

The agenda of the 2-day meeting focused on the level 3 ISSAI 100 (*Fundamental Principles of Public Sector Auditing*) exposure draft and final discussion and decision within CAS on the ISSAI 400 (*Fundamental Principles of Compliance Auditing*) draft. Participants also discussed the future advancement of the level 4 ISSAI 4300 draft of compliance audit guidelines for the court of accounts model. The committee further discussed implementation and maintenance of the level 4 ISSAI 4000-series on compliance audit endorsed at the XX INCOSAI, particularly regarding the ISSAI Implementation Initiative (3i) Program the INTOSAI Development Initiative presented at the meeting.

CAS activities are part of goal 1 of the INTOSAI Professional Standards Committee (PSC). The CAS work plan for 2011–2013 builds on the three main tasks identified by the PSC Steering Committee during 2010:

- contributing to the consistency of the ISSAI framework (the harmonization project),
- creating awareness of the standards and guidelines and contributing expert knowledge on the guidelines in relation to implementation efforts (awareness raising), and
- maintaining and continuing to develop the ISSAIs on compliance audit.

The follow-up on activities corresponding to these main tasks and CAS work has been organized into three subgroups: the harmonization project, raising awareness, and maintaining compliance audit guidelines.

The CAS was established in Budapest in October 2004 to develop INTOSAI guidelines for compliance audit. The subcommittee has 16 members: Norway (chair), Brazil, China, Denmark, the European Court of Auditors, Georgia, India, Lithuania, Mexico, Namibia, Portugal, Romania, Saudi Arabia, Slovakia, South Africa, and Tunisia.

CAS Strategy for the Future

At the Vilnius meeting, CAS defined a future strategy with the ambition to develop further as a committee into becoming a strong professional environment for compliance audit in the public sector. CAS will be presenting the ISSAI 400 for the XXI INCOSAI in 2013 and has set a goal of finalizing the update and maintenance of the ISSAI 4000 series for the XXII INCOSAI in 2016.

For additional information, visit the CAS website at <http://www.psc-intosai.org/ca> or e-mail the CAS at frederikke.lillehaug@riksrevisjonen.no.

Capacity Building Steering Committee and Related Meetings

In September 2012, the Office of the Auditor General (OAG) of Norway hosted the 9th Steering Committee Meeting of INTOSAI's Capacity Building Committee (CBC). Attending the meeting were representatives from the SAIs of Morocco (the CBC chair), the United States of America (goal liaison), Austria (INTOSAI General Secretariat), the United Kingdom (chair of subcommittee 1), Peru (chair of subcommittee 2), Germany (chair of subcommittee 3), Brazil, China, Denmark, France, Norway, Poland, Sweden, and the INTOSAI Development Initiative (IDI). Kamal Daoudi of the Court of Accounts of the Kingdom of Morocco represented the CBC Chair, summarized its activities during the past year, and received the subcommittee reports, which were approved.

In his report on subcommittee (SC) 1, the United Kingdom's Martin Sinclair highlighted increased regional participation in the SC's work and its impact on substantive discussions on such topics as regional capacity building capability, cost-effective delivery options to build capacity, the CBC guides, and potential ways forward for CBC efforts. Peru's Lorenzo Montañez summarized the work of SC 2, particularly the efforts related to the Database of Experts and Investigators. SC 3, represented by Germany's Christine Rabenschlag, updated participants on the SC's tasks, which include continuing efforts to assess, document, and disseminate peer review material, foster an environment where voluntary peer reviews are seen as beneficial, and update the peer review guidelines.

Reports with useful information on other significant INTOSAI efforts were shared and discussed. These included the INTOSAI Platform for Cooperation with the United Nations, the INTOSAI Development Initiative, the ISSAI Implementation Initiative (3i Program), the General Secretariat, INTOSAI strategic planning efforts, as well as the INTOSAI-Donor Cooperation. CBC efforts to build the capabilities and professional capacities of SAIs through training, technical assistance, information sharing, and other capacity-building activities were recognized, and preliminary discussions were held on the future direction of CBC.

After the Steering Committee meeting, the OAG of Norway also hosted a meeting on Strengthening the SAI Supply Side of Capacity. This effort was led by the CBC chair

with cooperation from the INTOSAI-Donor Secretariat and the United States, as goal liaison. The discussion was a first step toward focusing on the quality and quantity of the supply of capacity development support and opportunities to build and strengthen support by addressing potential barriers, such as access to funding or sufficient human resources. The CBC chair also held discussions with the chair of INTOSAI's Professional Standards Committee on ways to enhance coordination work on these two important strategic goals.

For additional information, contact Kamal Daoudi at kamal.daoudi@courdescomptes.ma. See also the CBC website: <http://cbc.courdescomptes.ma>.

Subcommittee 1 of the Capacity Building Committee Issues Human Resource Guide

Human Resource Management: A Guide for Supreme Audit Institutions was approved by the Steering Committee of the INTOSAI Capacity Building Committee at its annual meeting in Oslo in September 2012 and was recently published. The Netherlands Court of Audit managed the development of the guide with input from many different SAIs.

This guide sets out to provide an overview of all aspects of developing modern human resource management capabilities in an SAI. The accompanying annexes collate a wide variety of tools that can be used in strengthening these capabilities. Please send additional examples of good practices for the annexes to the e-mail addresses below. The guide should prove of use to SAIs at many different stages of development.

The United Kingdom's Department for International Development has offered funding to deliver regional master classes to help others understand and implement the guide. The INTOSAI Development Initiative is managing this funding for the Capacity Building Committee. All SAIs are urged to take advantage of these classes as they are rolled out across each region in the next few years.

The guide and the annexes can be found on the CBC website at

[http://cbc.courdescomptes.ma/index.php?id=20&tx_abdownloads_pi1\[action\]=getviewcategory&tx_abdownloads_pi1\[category_uid\]=45&tx_abdownloads_pi1\[cid\]=81&cHash=2b5225aa79](http://cbc.courdescomptes.ma/index.php?id=20&tx_abdownloads_pi1[action]=getviewcategory&tx_abdownloads_pi1[category_uid]=45&tx_abdownloads_pi1[cid]=81&cHash=2b5225aa79)

For additional information, please contact M.Janson@rekenkamer.nl and K.Hopman@rekenkamer.nl.

Meeting of Peer Review Subcommittee of the Capacity Building Committee

The Peer Review Subcommittee (subcommittee 3 of the Capacity Building Committee (CBC)) met in Luxembourg September 10–11, 2012. At the meeting, participants decided to further develop peer review documentation, which currently comprises

papers on 22 peer review exercises (memoranda of understanding, final reports, executive summaries, etc.). Since November 2011, the documentation has, with the permission of the SAIs involved, been posted on the CBC website (<http://cbc.courdescomptes.ma>). To update the documentation, the subcommittee plans to ask that all INTOSAI members furnish pertinent papers and supplementary information on individual peer review projects they have been involved in.

In November 2010, the XX INCOSAI endorsed the *Peer Review Guideline and Checklist* developed by the subcommittee as ISSAI 5600. To date, the document has been translated into seven languages: Arabic, English, French, German, Portuguese, Slovak, and Spanish. The subcommittee has decided to thoroughly revise both the guide and checklist and to present them to the XXII INCOSAI in 2016. To further develop the guide and checklist, the subcommittee will send a concise feedback questionnaire to all SAIs involved in a peer review exercise asking them to share information on their experiences with the two documents and make proposals for improvement and modification.

The German SAI has chaired the Peer Review Subcommittee for more than 6 years. In accordance with the regulations of the INTOSAI *Handbook for Committees*, it offered to allow another SAI to take up this position. The SAI of the Slovak Republic applied to chair the subcommittee, and the subcommittee members approved the application. The Governing Board appointed the SAI of the Slovak Republic as new chair of subcommittee 3 at its 63rd meeting in Chengdu, China, in November 2012.



Participants in the meeting of the CBC Peer Review Subcommittee in Luxembourg in September 2012.

For additional information, contact the SAI of the Slovak Republic at info@nku.gov.sk.

Steering Committee Meeting of the Knowledge Sharing Committee

The fourth meeting of the Steering Committee of the INTOSAI Knowledge Sharing Committee (KSC) was hosted by the European Court of Auditors in Luxembourg, September 25–26, 2012. Vinod Rai, Comptroller and Auditor General of India and the KSC Chairman, presided over the meeting.

Delegates from Denmark, Egypt, Estonia, France, Russia, South Africa (represented by INTOSAI Governing Board Chairman Terence Nombembe), and this *Journal* attended. Representatives from the INTOSAI General Secretariat, the INTOSAI Development Initiative (IDI), and the Professional Standards Committee also attended to make special presentations to share knowledge from across different parts of INTOSAI.



Participants in the Luxembourg meeting of the Steering Committee of the Knowledge Sharing Committee.

Vítor Caldeira, President of the European Court of Auditors, welcomed the delegates and stated that knowledge sharing benefits not only INTOSAI's respective institutions, but also ultimately citizens. In his opening remarks, Mr. Rai noted the important role that knowledge sharing and the work of all the committee's members continue to play in exchanging experience and best practices throughout the INTOSAI community.

Mr. Rai also emphasized the KSC's goal to further develop its website as a repository of knowledge to assist auditors working in individual SAIs in order to leverage the experience and expertise of all the efforts under way across INTOSAI. He particularly

pointed out features on the KSC website (<http://www.intosaiksc.org>) that could help in this regard, including the archives, a survey system, and a discussion forum.

Monika Gonzalez-Koss, the INTOSAI Director of Strategic Planning, reported on progress made in tracking implementation of the INTOSAI strategic plan. She especially thanked the Steering Committee chairs and goal liaisons from all four goals for their assistance with this effort. She further noted how INTOSAI stakeholders, including the regional working groups, were actively addressing the strategic priorities identified in the 2011–2016 INTOSAI Strategic Plan. Those priorities are SAI independence, ISSAI implementation, capacity building, the value and benefits of SAIs, fighting corruption, and enhanced SAI communication.

Meeting attendees also heard special presentations on the recent activities of IDI and the goal 1 Professional Standards Committee (PSC). IDI project manager Elizabeth Laura Walmann discussed IDI progress and achievements in the ISSAI Implementation Program, capacity building activities, and knowledge sharing efforts and developments in INTOSAI-Donor Cooperation. She especially noted the close relationship IDI has enjoyed with the various KSC working groups, which had resulted in the development of the ISSAIs. Nanna Schnipper, head of the PSC Secretariat at the SAI of Denmark, presented the PSC report on ISSAI maintenance and awareness raising. She further explained how *Due Process for INTOSAI's Professional Standards* defines the responsibility of the chairs and subcommittees of the PSC, KSC, and Capacity Building Committee for ensuring appropriate maintenance of the ISSAIs and INTOSAI Guidance for Good Governance.

Elfriede Hammelmüller presented the report of the INTOSAI General Secretariat on behalf of the secretary general. She noted a General Secretariat proposal to form an INTOSAI information sharing network that would enable SAIs to state which capacity building measures or other support services they could offer to, or might need from, other SAIs. She also informed the committee that the General Secretariat, in cooperation with relevant INTOSAI groups, would post to the INTOSAI website executive summaries of existing INTOSAI guidelines and standards for the benefit of auditors and stakeholders. The first such set of executive summaries was to be available on the INTOSAI website by the end of 2012.

Delegates also heard progress reports from KSC representatives of the Task Force on SAIs' Information Database, the Working Group on the Fight against International Money Laundering and Corruption, the Working Group on Environmental Auditing (which announced a transition from the SAI of Estonia to the SAI of Indonesia in 2013), the Working Group on Program Evaluation, the Working Group on IT Audit, the Working Group on Public Debt, the Working Group on Key National Indicators, the Working Group on Accountability for and Audit of Disaster Related Aid, the Working Group on the Value and Benefits of SAIs, and the Task Force on the Global Financial Crisis—Challenges to SAIs.

Egypt agreed to host the next KSC Steering Committee meeting in 2013.

For additional information, contact the SAI of India: cag@cag.gov.in.

Working Group on Environmental Auditing

The SAI of India hosted the 12th meeting of the Steering Committee of the INTOSAI Working Group on Environmental Auditing (WGEA) and the meeting of the Subcommittee of the Global Training Facility at Jaipur, India, October 2–6, 2012.

On October 2, representatives from the SAIs of Estonia, Finland, India, and Norway met to discuss the global training facility—the International Center for Environmental Audit and Sustainable Development (iCED)—which is being built at Jaipur. On October 3, the SAI of India organized an environmental excursion to the historical Amber Fort and iCED for the Steering Committee participants, who were apprised of the salient features of iCED.

Vinod Rai, Comptroller and Auditor General of India, inaugurated the 12th meeting of the WGEA steering committee of the WGEA on October 4 and welcomed all participants to Jaipur. Delegates from 13 member SAIs attended the meeting, which was held through October 6.



Participants in the 12th meeting of the WGEA steering committee held in Jaipur in October 2012.

During the meeting, the steering committee looked back on the 2011–2013 work plan and started to prepare for the coming one. First, all research papers, guidance documents, training materials, and other current work plan projects were reviewed. The research papers and guidance documents are in the final editing and layout phases. Participants in the meeting approved all project drafts. The final drafts will be presented to the working group for review and approval in spring 2013 before the next WGEA assembly.

Second, the Steering Committee envisaged the activities of the WGEA work plan for 2014–2016. The members analyzed the environmental audit needs of SAIs. A recent

WGEA survey on environmental auditing in SAIs provided valuable input to the discussions. The chair will compile the next draft work plan and share it with working group members for additional ideas for activities before the next assembly.

The National Audit Office of Estonia will host the next WGEA assembly in Tallinn June 3–7, 2013. Participants will discuss issues deriving from the RIO+20 process, such as challenges to reaching sustainable development, sustainability reporting, and other related topics. Keynote speakers have been invited to share their experiences, and several workshop sessions will be held on work plan topics for 2011–2013. The assembly's main objective will be to approve the projects of the current 2011–2013 work plan and the draft work plan for 2014–2016. Invitations to attend the meeting will be sent to all INTOSAI members in early 2013.



During the WGEA meeting, delegates discussed activities for the 2014–2016 work plan.

For additional information, contact the WGEA at info@wgea.org.

Working Group on the Fight against Corruption and Money Laundering

The 6th Meeting of the INTOSAI Working Group on the Fight against Corruption and Money Laundering (WGFACML) was held in Sopot, Poland, October 1–4, 2012. The working group now has 25 member SAIs. The meeting was attended by 39 participants and chaired by Counselor Hesham Genena, the new president of Egypt's Central Auditing Organization.

During the meeting, the four objectives of the WGFACML work plan were discussed and reviewed.



Participants in the WGFACML meeting in Poland in October 2012.

The first objective is to promote cooperation among member SAIs in developing three guidelines to support WGFACML efforts to detect and fight corruption and money laundering.

- The first guideline is on enhancing good governance for public assets. It has been developed and was discussed at the meeting. The concept of good governance includes the principles of integrity, transparency, and accountability.
- The second guideline is on preventing and fighting corruption and also addresses recovering stolen assets. It has been drafted and was open for comments until the end of 2012. The subgroup working on this guideline will meet in Indonesia for final processing and completion. The SAI of Iran, a new working group member, joined this subgroup.
- The third guideline is on challenges that SAIs face in fighting corruption and money laundering. It has also been drafted and is divided into two parts: external and internal threats.

The WGFACML's second objective is to develop, design, and provide training programs and workshops on fighting corruption and money laundering: The SAI of Poland (NIK) has developed a training program for combating corruption, fraud, and money laundering that was delivered in March and November 2012. The NIK invited all working group and INTOSAI members to participate in and improve these training programs. The INTOSAI Development Initiative will also develop training programs based on the WGFACML's three guidelines after they are approved at the XXI INCOSAI in Beijing.

The WGFACML's third objective is to cooperate with the Working Group on Environmental Auditing (WGEA) in developing a guideline on issues of corruption and fraud in the field of environmental auditing. That guideline is being developed

and was previewed by a representative of the SAI of Norway. After the guideline is finalized and approved, it will be made available to the entire INTOSAI community on the WGEA website.

The WGFACML's fourth objective is to develop a database of case studies and SAI experiences in fighting corruption and money laundering. The SAI of the Russian Federation has designed a questionnaire to collect these data.

At the meeting, participants also discussed a joint project with the INTOSAI Platform for Cooperation with the United Nations, which is chaired by the SAI of Korea, to publish a book compiling literature on SAI roles in the fight against corruption. This book will be incorporated in the proceedings of the XXI INCOSAI in China in 2013.

For additional information, please contact the SAI of Egypt at wgfacml@cao.gov.eg.

ASOSAI Workshop on Fraud and Corruption

An ASOSAI-sponsored workshop, Dealing with Fraud and Corruption, was held from November 12 to 17, 2012, in Manila, the Philippines, with the administrative support of the SAI of the Philippines. Thirty-eight ASOSAI member countries participated.

Fraud and corruption weakens the government's legitimacy and the rule of law, distorts the allocation of resources and competition in the private sector, and hampers economic growth. SAIs— from their independent, neutral, and fair position— are expected to play an important role in minimizing and preventing fraud and corruption. The workshop was intended to help participants acquire knowledge and audit practical skills needed when dealing with fraud and corruption. The content of the workshop was based on various sources, including guidelines, guides, manuals, and courseware developed by INTOSAI, ASOSAI, the INTOSAI Development Initiative, and SAIs.

During the workshop, participants attended lectures on understanding and detecting fraud and corruption and identifying and assessing risks for fraud and corruption. Six instructors and one subject matter expert from the SAIs of Bangladesh, Bhutan, Myanmar, Pakistan, the Philippines, and Indonesia delivered the workshop content.

The participants also shared their knowledge and opinions as they actively discussed issues related to the roles and responsibilities of SAIs, reporting, and follow-up actions.

On the last day of the workshop, groups of four to five participants gave presentations on audit proposals and action plans dealing with fraud and corruption based on what they had learned at the workshop.

For further information, please contact the secretariat of the ASOSAI or visit the ASOSAI website:

E-mail: koreasai@korea.kr

Website: http://www.asosai.org/activities/workshop_list.jsp

EUROSAI-OLACEFS Conference

The VII EUROSAI-OLACEFS conference was held in Tbilisi, Georgia, September 17–19, 2012. Its theme, Good Governance in Public Sector: Role of SAIs, addressed citizens' increasing demands for better public administration and funds management during times of financial hardship for governments. The theme also highlighted the possibilities for SAI contributions to better accountability, transparency, and efficiency in government activities. There were two subthemes that are pivotal for SAIs carrying out their functions effectively: (1) Enhancing Management Integrity, Accountability, and Tone at the Top and (2) Facilitating Public Financial Management Reform.

Since 2000, representatives of EUROSAI and OLACEFS have met in a series of conferences designed to facilitate the sharing of experiences and best practices on important public audit issues to foster continuous improvement in the quality of SAI work. The most recent conference coincided with the 20th anniversary of the State Audit Office of Georgia. Hosting the event gave the SAI of Georgia the opportunity to share its own experiences and challenges in establishing itself as an important player in public financial management



Participants in the EUROSAI-OLACEFS Conference held in Tbilisi, Georgia, in September 2012.

Session I: Enhancing Stakeholder Confidence: Auditing Management Integrity, Accountability, and Tone at the Top

SAIs can achieve credibility by enhancing accountability, transparency, integrity, and tone at the top within their organizations. The SAI of Portugal, as president of EUROSAI, presided over the session dealing with this topic.

At the last EUROSAI congress in Lisbon, participants affirmed the following: “Transparency and accountability are both democratic values and are fundamental for good governance. Accountability is a broad concept including a wide range of responsibilities for public managers, such as professional and management skills, compliance with financial and other regulations, meeting performance expectations and ethical conduct.”

The presentation of the SAI of Portugal highlighted the importance of having a methodological base consisting of an audit manual that describes strategies and rules for ethical behavior to help ensure that behavior. ISSAI 30, the *INTOSAI Code of Ethics*, is also an important point of reference for auditors. It is not enough for SAIs to have provisions for ethical behavior: they also need to have implementation measures. The SAI of Portugal identified guidance, management, and control as three aspects that need to be addressed to ensure ethical behavior. Guidance can be reinforced by providing detailed information about the code of ethics and training. Management should favor ethical behavior for its employees and incorporate ethical criteria in annual performance evaluations. Checklists and internal audits should be developed to promote control measures.

In response to proposals of the Portuguese SAI, the EUROSAI Governing Board agreed to set up a task force to promote ethical conduct and integrity in both SAIs and public organizations. For SAIs, the goal of the task force is to reinforce and frame the management of ethical conduct and make it more robust by providing practical and feasible tools to help SAIs in their everyday work.

The Spanish Court of Audit presented an interesting case demonstrating the positive contribution an SAI can have to public sector accountability. In 2003, the court reported to the Spanish Parliament on problems with the accountability of local governments and identified possible legal and administrative solutions that could be adopted to render local entities’ accounts complete within legally established deadlines. In response to this, information and communication technology was introduced that significantly improved the reporting and reviewing activities for local governments. After successfully establishing this electronic reporting system, the Spanish Court of Accounts made the reports and accounts of local governments publicly available. In addition to facilitating audit activities, this increased transparency and accountability to the citizens.

The presentation of the Turkish Court of Accounts (TCA) emphasized the importance of the high quality of its work and the need to follow high moral values to complete it. The TCA recently established an audit management software program that enables it to organize audit work and gives management the opportunity to monitor findings and working documents.

The Brazilian Court of Accounts discussed the benefits of the recent peer review carried out by the Organization for Economic Cooperation and Development that assessed the audit of the annual financial statements of the Brazilian federal government. In reviews such as this one, the report is prepared by a multilateral institution with broad knowledge of factors such as planning, budget, finances, accounting, governance, transparency, and accountability. Multidisciplinary teams from different countries are involved.

Session II: Facilitating Public Finance Management Reform

Carlos Pólit Faggioni, Controller General of Ecuador and President of OLACEFS, presided over the second session on public finance management reform. To live up to the high expectations of society and further reinforce the principles of good governance, many governments are embarking on significant modifications of their public financial management systems (PFM). The PFM serves as an overarching framework under which many facets of public financial administration can be improved. The PFM is concerned with such vital issues as budget planning and execution, establishing internal controls and internal audit, procurement, accounting and IT systems, and treasury. These issues constitute the very core of public financial management and, ultimately, good governance.

Within EUROSAI, countries share a number of similarities in implementing PFM reform as they aspire to fully implement common guidelines and best practices. Countries are at different stages in the process, and there is a significant potential for state agencies as well as SAIs to gain from each other's experience. SAIs are one of the key players in implementing PFM reform. They participate in the formulation and refinement of clear budgetary, financial, accounting, internal controls, and related legislation; by auditing PFM reform as a whole or separate parts of the PFM system and key issues, SAIs spark national debates on many pressing issues related to the management of public funds.

Recent developments have clearly demonstrated the importance of reasonably planned and executed fiscal policy over the mid and long term. Consequently, the role of SAIs has increased significantly from specific audits to fiscal discipline and sustainability issues such as the following:

- debt management,
- risk management and vulnerability analysis to enforce and encourage risk assessment at both the agency and PFM levels, and
- improvements in the reporting framework and increased monitoring and control of the external audit function of state agencies and financial institutions.

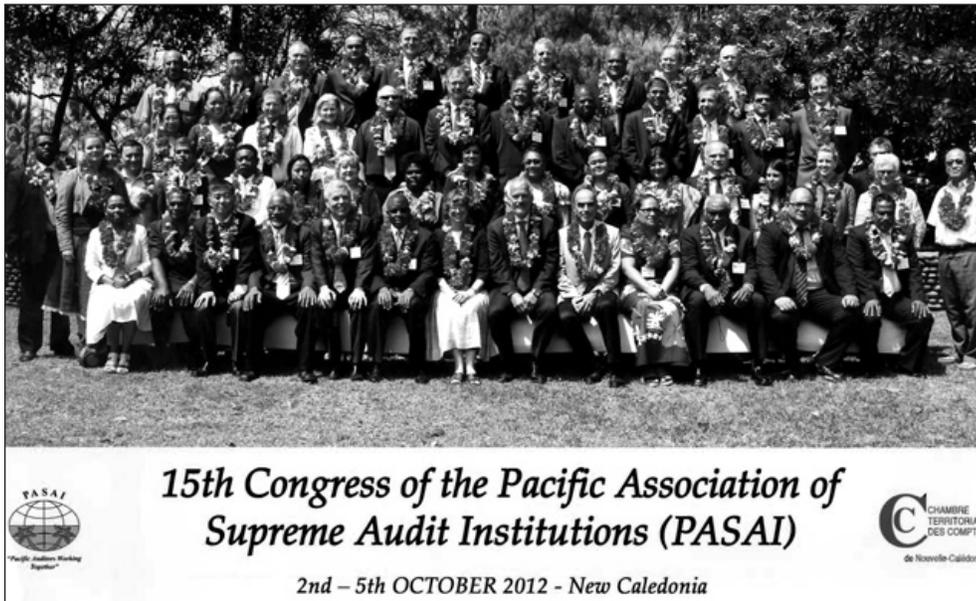
SAIs contribute to PFM reform through legislative initiatives to improve the country's main regulatory PFM framework. A comprehensive legal framework for PFM should be structured according to the country's system and have simple and transparent regulations that avoid redundant bureaucracy, promote accountability, and make cooperation with the SAI obligatory.

For additional information, please see the "Conferences" section of the EUROSAI website: <http://www.eurosai.org>.

PASAI Congress Held in New Caledonia

The 15th congress of the Pacific Association of Supreme Audit Institutions (PASAI) was held at Nouméa, New Caledonia, October 2–5, 2012. The Congress brought together the heads and representatives of 15 SAIs and regional audit offices from throughout the Oceania region. PASAI was honored by the presence of Terence Nombembe, chairman of the INTOSAI Governing Board, and Josef Moser, INTOSAI secretary general, together with representatives of the SAIs of China and France and the INTOSAI Development Initiative (IDI). Other PASAI development partners and a number of key stakeholders also attended.

At the Congress, the heads of Pacific SAIs reaffirmed the principles of regional cooperation and individual leadership that form the basis for the Pacific Regional Audit Initiative (PRAI) and committed themselves to following those principles in future initiatives.



Participants in the 15th PASAI Congress in New Caledonia.

The PRAI was developed to address the challenges posed by variable standards of public auditing in the Pacific. It provides support within a framework of regional cooperation under the Pacific Plan as endorsed by the Pacific Forum Leaders in 2005. Strong public auditing practices are central to achieving good governance outcomes, which—in turn—can contribute to improved economic performance and growth outcomes for Pacific Island countries.

In his addresses to the Congress, Mr. Nombembe stressed the importance of individual leadership by SAI heads, focusing on the core role of the SAI within each country's system of governance. He commended the PRAI as an example of mutual cooperation and capacity building that places PASAI at the forefront of global regional initiatives within the INTOSAI community. This reflects the motto of INTOSAI, "Mutual Experience Benefits All."

These themes were reflected in the reports presented to the congress by each attending SAI, which showed considerable progress in performance auditing and some enhancement to the quality of reports to legislatures. SAIs also continue to benefit from the regional programs offered by PASAI, including training and staff development, the availability of auditing manuals and guidelines, and the opportunity to participate in cooperative financial and performance audits.

Much remains to be done to realize PASAI's goal of helping its member SAIs to improve the quality of public auditing in the Pacific to uniformly high standards. The Congress stressed the need for SAIs to continue communicating their achievements while being realistic about the capability challenges faced in many jurisdictions—which are often not only within the SAI itself but also in the wider system of public financial management. Problems such as shortages of professionally qualified staff and high staff turnover, combined with the unavailability of accounts for audit, pose major challenges for many SAIs in carrying out their mandates.



(From left to right) Eroni Vatuloka, PASAI Executive Director; Josef Moser, INTOSAI General Secretary; and Terence Nombembe, Chair of the INTOSAI Governing Board, enjoy a moment together at the PASAI Congress.

The Congress received reports on the completion of several major achievements under the PRAI in 2011 and 2012. The first phase of PASAI's capacity building program is nearing a successful completion. Four auditing manuals (on human resource management, quality assurance, performance auditing, and reporting) have been published. These valuable resources are now available for use by all PASAI members and continue to be in demand from other INTOSAI regional groups. A manual on financial auditing (drawn from one developed by another regional working group, AFROSAI-E) and guidelines on strategic management and operations will soon be completed. The initial program of training courses under the PRAI has also been completed, resulting in the establishment of a cadre of instructors in SAIs throughout the region who will continue to lead training on a regional and national basis into the future.

The second round of the Subregional Audit Support program was completed in early 2012. The program involves a cooperative approach to the completion of financial audits in Kiribati, Nauru, and Tuvalu. The audits have had significant benefits for both in-country public financial management and governance, and the capacity development of the three SAIs and their staff. The Congress endorsed the intention to begin a third round of the program in 2013.

Significant progress has also been made in the work of cooperative regional performance auditing. PASAI's second cooperative regional audit, on the management of safe drinking water, was completed in 2012. A third audit, dealing with sustainable fisheries management across the Pacific region, is now being finalized. These are major achievements, and the Congress heard of the significant implementation of the reports' recommendations in a number of the participating jurisdictions. The congress also endorsed the commencement of a fourth cooperative audit, on climate change adaptation and disaster risk reduction, which was to commence in late 2012.

The Congress endorsed PASAI's most recent report on the state of accountability and transparency in the Pacific region, which was completed in early 2012 following a number of in-depth studies in selected jurisdictions. The study concluded that the picture of accountability and transparency across the region remains mixed, but it identified a number of positive and emerging good practices. The Congress encouraged PASAI and other international, regional, and national institutions to use the report in a concerted effort to promote consistent approaches and the sharing of ideas to improve governance outcomes in the Pacific.

The PRAI was originally developed and endorsed by the 2008 Congress as a 4-year program and is drawing to a close. PASAI and its development partners will formally evaluate the program as the first step in developing a new strategy to sustain PASAI's work on a long-term basis in both the region and the individual SAIs in their respective country systems. The Congress mandated PASAI's Governing Board to continue to address these matters in conjunction with its development partners and as a member of the international SAI community.

Participants in the Congress were most grateful for the extensive organizational work by staff of the New Caledonia SAI and PASAI's Secretariat and the leadership and hospitality provided by François Monti, the President of the New Caledonia SAI, as the Congress host. With the encouragement of its international leaders and development partners, PASAI now looks forward to continuing its collective and individual effort to improve public auditing and contribute to improved governance in the Pacific region.

For additional information, contact Eroni Vatuloka, PASAI Executive Director, ateroni.valuloka@pasai.org.

2012 OLACEFS General Assembly Held in Brazil

The Organization of Latin American and Caribbean Supreme Audit Entities (OLACEFS) held its 22nd General Assembly in Gramado, in the state of Rio Grande do Sul, Brazil, November 5–10, 2012. The assembly was hosted by the Brazilian Court of Audit (TCU) with attendees from Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Uruguay, and Venezuela. Guests and observers included representatives from the SAIs of Portugal and Spain, the INTOSAI Development Initiative (IDI), the Inter-American Development Bank (IADB), the European Court of Auditors (ECA), the Organization of Economic Cooperation and Development, local auditors from Brazil, and this Journal.

Opening Ceremony

The meeting was officially opened with a speech by Brazil's Vice President, Michel Temer, who welcomed the delegates and spoke of the key role SAIs have in promoting accountability in the region. The Brazilian Court of Audit's President, Benjamin Zymler, also spoke, thanking the delegates for joining TCU in celebrating its 122nd anniversary, making it Brazil's second oldest public agency. Carlos Pólit Faggioni, Comptroller General of Ecuador, the current OLACEFS president who presided over the meetings, emphasized the importance of SAIs in promoting a culture of transparency in OLACEFS member nations.



Participants in the OLACEFS General Assembly held in Brazil in November 2012.

Technical Presentations

The assembly featured presentations on the following topics:

- Coordinated audits as a method for building SAI capacity. This was a theme that resonated throughout the sessions, highlighting the importance of collaborative efforts across institutions and nations.
- Country-specific examples of how SAIs have analyzed social subsidies as a poverty reduction mechanism, with case examples and a call for further analysis of this issue and related outcomes.
- Sessions on implementing institutional diagnostics, ensuring quality in internal processes, and utilizing knowledge management tools available on the OLACEFS web portal. There were several panel discussions regarding the benefits of peer reviews to SAIs and a method to disseminate best practices.
- Applying the ISSAIs, with a focus on creating a working group to better understand and implement these standards by identifying gaps in audit procedures and working with IDI and INTOSAI's Professional Standards Committee.
- Results of the OLACEFS gender seminar and the "Declaration of Santo Domingo," which calls for increasing the presence of women in the process of overseeing public expenditures.
- IADB support in the amount of US\$60 million to support enhanced regional institutional and professional capacity focused on audit processes, strategic planning, information technology, performance audits, citizen participation, internal controls, and operations with subnational entities. The assistance will take the form of loans, technical cooperation, and knowledge tools. The IADB representative noted that regional diagnoses have been done for 19 audit institutions in 8 countries in the OLACEFS region, with 8 more expected to be completed in 2013.
- IDI initiatives and the progress of the Steering Committee of INTOSAI-Donor Cooperation as well as the 3i program to implementing the ISSAIs. The latter will include tools and certification programs; virtual courses; and workshops for financial, performance, and compliance audits. The IDI Director General emphasized that INTOSAI is encouraging SAIs to become more focused on being resource providers and exchanging information.
- The ECA discussed auditing supranational organizations and explained its traditional audit work as well as the opinions it issues when acting as a consulting body.
- The Spanish Court of Accounts representative discussed guidelines it has developed along with that SAI's experience rendering accounts in local entities.

Other Activities

Throughout the conference proceedings, the Brazilian Court of Audit and its staff treated participants with generous hospitality. Highlights were visits to nearby communities where participants enjoyed song and dance presentations by local heritage groups, a commemorative dinner at a local park with a gaucho theme related to regional history, several Christmas-themed performances in the evenings that are a “signature” of Gramado, and the opening dinner and closing lunch at the conference site.

Looking Ahead

The General Assembly elected the Brazilian Court of Audit to preside over OLACEFS from 2013–2015 and Minister Augusto Nardes, the Vice President of the TCU, to take office as president on January 2, 2013. The next General Assembly is scheduled to be held in Chile.

Information and papers from the assembly will be available at the OLACEFS website: <http://www.olacefs.com>.

Knowledge Sharing Web-based Course on the Risk-based Approach to Financial Auditing

IDI has developed an e-learning course, the Risk-Based Approach to Financial Audit, as a follow-up to the earlier rounds of a program conducted in cooperation with CAROSAI. This 6-week e-learning course was launched in cooperation with the United Nations Institute for Training and Research (UNITAR) from November 4 to December 14, 2012. There were 193 participants from 61 SAIs in the English-speaking INTOSAI regions of ASOSAI, AFROSAI-E, PASAI, CAROSAI, and EUROSAI. The course was based on the IDI/CAROSAI *Guide on Risk Based Approach to Financial Audit* and aligned to relevant ISSAIs and other international standards. Previously, 101 participants from 28 SAIs took the 5-week e-learning course, which was deployed in April–May 2012.

ISSAI Implementation Initiative: 3i Program

INTOSAI adopted the International Standards of Supreme Audit Institutions (ISSAI) in 2010 to strengthen the global public sector audit profession. INTOSAI called upon its members to use the ISSAIs as a common framework for public sector auditing and to implement them. IDI is mandated to support ISSAI implementation in all INTOSAI regions and, accordingly, launched a capacity development program called the ISSAI Implementation Initiative (3i Program) in 2012. The first phase of the program, financed by the World Bank, will run from 2012–2014 for five English-speaking INTOSAI regions (AFROSAI-E, ASOSAI, CAROSAI, EUROSAI, and PASAI). Activities for OLACEFS, CREFIAF, and ARABOSAI will be initiated in 2013.

ISSAI Certification Program: The ISSAI Certification Program is a component of the 3i Program whose objective is to develop a pool of ISSAI facilitators to create capacity for implementing the ISSAIs.

The program is being offered to 261 participants from 67 SAIs of developing countries after an online pre-test. It consists of two online e-courses (ISSAI Compliance Assessment Tools (iCAT) and Audit Template Manuals and Model Audit Files) and a face-to-face Facilitation Skills Workshop. All participants who successfully complete the three program activities will be certified as ISSAI facilitators. The first online e-course was conducted October 22–December 7, 2012.

3i Management Workshop: The 3i Management Workshops are designed to create awareness of ISSAIs, discuss and strategize considerations in implementing ISSAIs, and share experiences related to ISSAI implementation. The workshop also ascertains the results of the iCATs and gets commitment from top SAI management on implementation strategy. Three workshops were held in November–December 2012 for CAROSAI, AFROSAI-E, and PASAI regions in Surinam, South Africa, and Fiji, respectively. Top SAI management, including the heads of the eligible SAIs, attended the 3-day workshops.

IDI UPDATE



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

IDI/ARABOSAI Quality Assurance Systems Review Meeting and Facilitation Skills Workshop



Instructors for the Facilitation Skills Workshop of the IDI/ARABOSAI Program on Quality Assurance.

The IDI/ARABOSAI Needs Assessment Program conducted in 2007 and 2008 revealed an urgent need for capacity development in quality assurance in many SAIs. IDI and the region therefore launched a quality assurance program in 2011 to train SAI staff in conducting quality assurance reviews at the institutional level and for financial and performance auditing. After attending the Workshop on Quality Assurance, the participants conducted quality assurance reviews in their respective SAIs and reconvened in November 2012 to get feedback on their work at a quality assurance systems review meeting. In addition, the participants attended a Facilitators Skills Workshop to enable the SAIs to train additional staff members in quality assurance. A quality assurance handbook is being developed as part of the program and all participating SAIs are expected to adapt the handbook to their circumstances.

IDI Strategic Planning Programs

In 2011, strategic planning programs were initiated in ASOSAI, OLACEFS, and CREFIAFS to help SAIs improve in-house capacity for strategic and operational planning. The programs are progressing on schedule. In ASOSAI, the seven participating SAIs gathered for a review meeting and Operational Planning Workshop in December 2012. In this workshop, the SAIs presented draft strategic plans developed for their respective institutions.

IDI/PASAI Cooperative Performance Audit on Climate Change Adaptation and Disaster Risk Reduction

This fourth cooperative audit in the Pacific region is being funded by the Asian Development Bank. The program aims to improve and strengthen the capacity of SAIs to carry out performance audits focused on environmental issues. The topic was chosen based on a 2011 survey of heads of SAIs in the Pacific region that identified their preferences for future cooperative performance audits. The participating SAIs are the Cook Islands, Tonga, Tuvalu, Palau, Micronesia, Fiji, Samoa, and the Solomon Islands. At the planning meeting, held in November 2012 in New Zealand, modalities for conducting the audit through August 2013 were discussed.

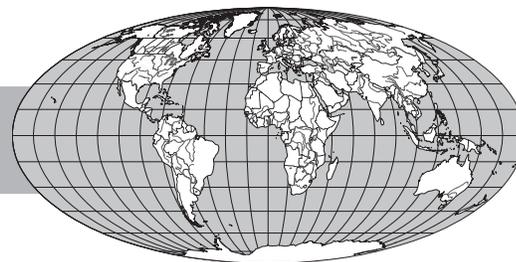
Contacting IDI

To discuss any of the issues raised in this edition of the IDI Update, please contact IDI:

E-mail: idi@idi.no

Website: <http://www.idi.no>

INTOSAI 2013 Events



<p>January</p> <p>14–15 Meeting of the Task Force on INTOSAI Financial Foresight, Copenhagen, Denmark</p>	<p>February</p> <p>12–13 PASAI Governing Board meeting, Auckland, New Zealand</p> <p>19–20 ASOSAI Governing Board meeting, Manila, Philippines</p>	<p>March</p> <p>5–7 United Nations/INTOSAI Symposium, Vienna, Austria</p> <p>18–20 CAROSAI Congress, Trinidad and Tobago</p>
<p>April</p> <p>TBD Financial Audit Standards Subcommittee, United Arab Emirates</p> <p>16–19 EUROSAI/ARABOSAI Congress, Baku, Azerbaijan</p> <p>22–24 Meeting of Working Group on Key National Indicators, Krakow, Poland</p>	<p>May</p> <p>27–29 Meeting of Working Group on Public Debt, (location TBD)</p> <p>30 EUROSAI Governing Board Meeting, Brussels, Belgium</p>	<p>June</p> <p>3–7 Working Group on Environmental Auditing Assembly, Tallinn, Estonia</p> <p>18–19 Steering Committee meeting, Professional Standards Committee, Stockholm, Sweden</p> <p>23–27 ARABOSAI General Assembly, Kuwait</p>
<p>July</p> <p>3–5 Meeting of the Working Group on the Value and Benefits of SAIs, Lima, Peru</p>	<p>August</p>	<p>September</p> <p>TBD PASAI Congress, Guam</p>

TBD = To be determined

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 regionwide 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.

INTOSAI

