

INTOSAI



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# The important role of SAs in the UN post-2015 development agenda

Sustainable development worldwide is only possible if the use of public resources is made more transparent and accountable.

by Dr. Josef Moser

President, Austrian Court of Audit and Secretary General, INTOSAI

## The importance of SAI independence for sustainable development

The last Congress of INTOSAI in Beijing in October 2013 called especially for the implementation of the UN Resolution A/66/209 on independence, in particular because SAIs can accomplish their tasks objectively only if they are independent of the audited entity and protected against outside influence. It further emphasizes that SAIs have an important role in promoting efficiency, accountability, and effectiveness, and that they are conducive to the achievement of development objectives, including the Millennium Development Goals.

In relation to the sustainability of finance policies, the Beijing Declaration explicitly underlined the importance of strengthening the independence of SAIs, and acknowledged that the mandates of SAIs may need to be enhanced for audits related to the sustainability of public finances.

Therefore both the international community of SAIs, as well as the international community of states, call for action in order to be prepared for the challenges related to sustainable development.

SAIs all around the world currently face a series of challenges related to sustainable development, such as:

- the lack of transparency and accountability, which causes a tremendous damage to states, endangers social

peace, and undermines the efficiency of development aid;

- the lack of legal, financial, and organizational independence of SAIs from government, including obstacles to define the audit program independently;
- the lack of a comprehensive audit mandate of SAIs;
- the lack of possibilities for SAIs to provide a formal, comprehensive audit opinion on government accounts to Parliament; and
- the lack of legal powers of SAIs to hold government to account.

## Necessary measures to ensure sustainable development

Sustainable development worldwide is only possible if the use of public resources is made more transparent and accountable, in order to enhance the responsibility of action to give the future a chance, because the actions of today must not narrow and endanger the scope for future generations.

Increased transparency and accountability is also essential in order to strengthen the trust of citizens in all state institutions. It therefore has to be the common goal of the SAI community to create transparency, enhance accountability, fight corruption, and »

“It is now that all responsible representatives of SAIs have to take action to raise awareness of relevant stakeholders—national and international—in order to successfully finalize our efforts to include the independence of Supreme Audit Institutions, related capacity building, and the improvement of accounting systems as essential elements of the Post-2015 Development Agenda.”

— Josef Moser

thus to contribute to sustainable development.

Against this background, INTOSAI developed a position for the Post-2015 Development Agenda, calling for the inclusion of independence, capacity building, and the improvement of accounting systems as necessary elements in the Post-2015 Development Agenda.

### INTOSAI's efforts in the context of the post-2015 Development Agenda

At the global level, INTOSAI is currently heavily involved in the elaboration process of the Post-2015 Development Agenda, which is defining the future Sustainable Development Goals.

The Austrian Court of Audit in its capacity as the General Secretariat of INTOSAI has seized every opportunity in order to anchor the mentioned objectives of INTOSAI—independence of SAIs, related capacity building, and the improvement of accounting systems—as central elements of the Post-2015 Development Agenda in numerous UN forums, like the Economic and Social Council (ECOSOC), the UN Intergovernmental Committee of Experts on Sustainable Development Financing, or the UN Committee of Experts on Public

Administration (CEPA) and the Interparliamentary Union (IPU).

### Achievements

The results of these intensive efforts have been very gratifying:

UN Secretary-General Ban Ki-moon explicitly welcomed this initiative of INTOSAI and underlined the importance of transparency and accountability on the occasion of a working meeting before the last INCOSAI in Beijing.

UN Under-Secretary-General Wu Hongbo specifically mentioned accountability and monitoring mechanisms as a prerequisite for the Post-2015 Development Agenda and underlined that strong and independent institutions as well as capacity building of SAIs are key preconditions.

ECOSOC President Martin Sajdik also explicitly referred to “a robust accountability framework” as a key element for the success of the Post-2015 Development Agenda and to the important role of SAIs in this regard.

In its draft resolution to the ECOSOC, the UN Committee of Experts on Public Administration (CEPA) expressly called upon UN Member States

for including the principles of the Lima and Mexico Declarations as well as the UN General Assembly Resolution A/66/209, and for acknowledging the importance of strengthening national accountability through SAIs as well as the capacity of national SAIs as essential elements of the Post-2015 Development Agenda.

In detail, the text resolution on the Post-2015 Development Agenda agreed on by ECOSOC in July 2014 includes the following paragraph on SAIs: The ECOSOC “Acknowledges the indispensable role of supreme audit institutions and related capacity-building in holding Governments accountable for the use of resources and their performance in achieving development goals, and calls on Member States to give due consideration to the importance of the independence of supreme audit institutions in the elaboration of the post-2015 development agenda.”

As a direct result of our efforts, ECOSOC placed special emphasis on the role of SAIs and their capacity building in its resolution and called upon the member states to give due consideration to the issue of independence of SAIs in the Post-2015 Development Agenda. Additionally, the ECOSOC Ministerial Declaration also contains an explicit commitment to the importance of good governance, rule of law, transparency, and accountability at all levels.

Moreover, on the occasion of this year's ECOSOC Ministerial Meeting, high-ranking UN representatives expressly endorsed the call for independence and capacity building and the improvement of the accounting system. In their concluding and summarizing remarks, UN Under-Secretary-General Wu Hongbo and ECOSOC President Martin Sajdik emphasized the necessity of improving the accountability mechanisms and the related need for capacity building. The discussions and concluding comments of UN Under-Secretary-General Wu Hongbo and ECOSOC President Martin Sajdik prove that the position of INTOSAI is being effectively included in the elaboration process of the Sustainable Development Goals and that it will also influence further discussions on accountability systems.

This constituted a further important step towards strengthening SAIs in the framework of the United Nations Sustainable Development Goals.

Another very recent major activity of the whole INTOSAI community is the negotiation of a UN General Assembly Resolution calling

for including independence and capacity building for SAIs, and improvement of public accounting systems in the Post 2015-Development Agenda. The current process is very promising and the INTOSAI General Secretariat constantly keeps the whole INTOSAI community informed about the progress of the negotiations within the UN framework.

## The way forward

All the efforts mentioned above illustrate the successful commitment of the General Secretariat and the whole INTOSAI community on the way to achieve our common INTOSAI goal of strengthening the role of SAIs in the framework of the UN Post-2015 Development Agenda.

As the topic of sustainable development is of utmost importance in this context, it is certainly appropriate to ensure that sustainability is also a core element of the new Strategic Plan of INTOSAI, and that the future activities of INTOSAI for the period 2017-22—the development of guidelines, capacity building and the exchange of knowledge in general—are strategically geared toward this issue.

In this way, INTOSAI implements the UN Resolution A/66/209 and strengthens the core element of the Post-2015 Development Agenda: accountability. In line with this, SAIs are invited to actively contribute to the current revision of the new Strategic Plan for the period 2017-22.

The 23<sup>rd</sup> UN/INTOSAI Symposium in 2015 will deal with the topic “The UN Post-2015 Development Agenda – Prerequisites and Possibilities for SAIs to safeguard sustainable development” as well. The results of this Symposium will also feed into the further negotiations on the future Sustainable Development Goals, which are to be adopted in late 2015.

Therefore, it is now that all responsible representatives of SAIs have to take action to raise awareness of relevant stakeholders—national and international—in order to successfully finalize our efforts to include the independence of Supreme Audit Institutions, related capacity building, and the improvement of accounting systems as essential elements of the Post-2015 Development Agenda, which will essentially contribute to the strengthening of sustainable development. ■

# News

from SAIs around the world

## 300 years of auditing in Germany

Kay Scheller, President of the Bundesrechnungshof, right, is congratulated by Dr. Josef Moser, President of the Austrian Court of Audit.



In 2014, the German SAI commemorated the 300<sup>th</sup> anniversary of the foundation of the Prussian Chamber of Accounts by King Frederick I in 1714. There is a continuous—although winding—historical path linking this external audit institution of the Kingdom of Prussia with the German SAI that was founded in 1950.

On the occasion of an official ceremony to celebrate 300 years of government auditing in Germany on November 18, 2014, Joachim Gauck, Germany's Federal President, gave an address in which he called the German SAI a key national pillar of the government structure of the Federal

Republic of Germany.

Kay Scheller, President of the German SAI, welcomed about 500 invited guests, from both Germany and abroad, among which there were representatives from political life, public administration, and from a large number of European SAIs. In his speech, Mr. Scheller underlined the independence of the German SAI. Guaranteed by the constitution, the German SAI's function is to identify weaknesses and shortcomings in federal financial management and to make recommendations for improvement. In doing so, the auditors are independent, impartial, and unbiased. No

other government institution may instruct the German SAI to perform an audit.

With regard to the development of government auditing in Germany over the last 300 years, Mr. Scheller stated: "Impact and efficiency of the external audit function always largely depended on the political framework and government systems in place. But nevertheless, at all times, there have been two key aspects that guided our work: on the one hand the audit criteria of regularity and value for money, and on the other hand the professional principles of independence, neutrality and objectivity. However, it was only in the free and democratic system of the Federal Republic of Germany that these principles could fully be implemented. Thus, finally, the basic idea and key purpose of the external audit function could

develop their full potential: free access to look into the accounts and comment on them – from an objective and external perspective and with an unprejudiced attitude."

On behalf of the external government audit community, Dr. Josef Moser, Secretary General of INTOSAI and President of the Austrian Court of Audit, and Vítor Caldeira, President of the European Court of Auditors, offered their congratulations on the German SAI's anniversary. In their speeches, both of them stressed the importance and benefits of cooperation between supreme audit institutions around the world.

**For more information, contact the German SAI:**

**E-mail: [international@brh.bund.de](mailto:international@brh.bund.de)**

**Website: [www.bundesrechnungshof.de](http://www.bundesrechnungshof.de)**

## Azis new chair for SAI Indonesia

The Audit Board of Republic of Indonesia (BPK) appoints Dr. H. Harry Azhar Azis as new Chairman

Dr. H. Harry Azhar Azis, M.A, assumed office as the Chairman of the Audit Board of the Republic of Indonesia, succeeding the former chairman, Dr. Rizal Djalil, whose mandate expired October 28, 2014.

Prior to his this appointment, Dr. Azis was a parliament member, economist, and Indonesian political expert. He also served as Vice Chairman on the Commission XI of the Parliament, focusing in the fields of finance, national development planning, banking and non-bank financial institutions.

Before engaging in the parliament, Dr. Azis was a lecturer at several universities in Indonesia. He received his undergraduate education from the College of Industrial Management, Indonesia. He then went to the United States to study economics, earning a Master's degree at the University of Oregon and a doctorate at Oklahoma State University.

Dr. Azis has received several academic awards, such as Scholarship Awards for ASEAN Youth in 1987 and 1993. He has written several papers which have been published in both the national and local media.

**For more information, contact the Audit Board of the Republic of Indonesia:**

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**Dr. H. Harry Azhar Azis is the new Chairman of the Audit Board of the Republic of Indonesia**

# SAI Latvia works with law enforcement agencies to achieve good governance

**Accountability encourages others to think twice before handling public property and financial resources recklessly**

Global economic events of recent years have substantially influenced public welfare, creating new challenges for national governments. These events have also influenced the concerns of Supreme Audit Institutions (SAIs), where promoting good public governance has moved to the top of the priorities list.

This year the State Audit Office of the Republic of Latvia (SAO of Latvia) has intensified its cooperation with law enforcement institutions.

The SAO of Latvia is an independent SAI that works in accordance with international audit standards. The SAO is not responsible for holding those who are found guilty of improperly using public funds accountable; that task falls under the mandates of the General Prosecutor's office of the Republic of Latvia, the State Police of Latvia, and the Corruption Prevention and Combating Bureau.

Timely identification of issues that hinder effective investigations leads to a desired outcome: officials are held accountable for the misuse of public funds committed maliciously or through inexcusable incompetence.

This accountability then serves to encourage others to think twice before handling public property and financial resources recklessly, against the requirements of law and regulations.

The SAO of Latvia therefore considers it important for those organizations involved in the investigation and prosecution of the misuse of public funds to actively discuss ways to improve their effectiveness and efficiency.

During 2014 several meetings were organized that included representatives from the General Prosecutor's office and the State Police. Participants discussed the need for the State Police and the SAO of Latvia to meet and to clarify the process for reviewing audit materials.

The SAO of Latvia will now inform law

enforcement institutions if, during an audit, information indicating possible criminal activity is obtained. Such notifications should facilitate a faster and more informed investigation of the alleged activity.

The SAO of Latvia has also organized training sessions for State Police officials on the SAO's audit processes and methodology. These trainings are designed to help investigators better understand information provided in SAO audit reports so that they can move forward with further inquiries.

As a result of these discussions with law enforcement institutions, the SAO of Latvia has improved several of its work processes. Reports to law enforcement institutions now include more complete and detailed information on infringements, as well as concrete documents, that explain legal and regulatory requirement violations that were revealed during audits.

The SAO of Latvia has also started to actively cooperate with forensic and police experts, answering questions such as how accounting inspections are carried out and what to do if an expert opinion differs from the opinion of SAO auditors.

From 2006 until 2014, the SAO of Latvia has notified law enforcement institutions about legal violations revealed during 168 audits (83 compliance and 85 financial audits).

The SAO of Latvia is gratified by the fact that both the Prosecutor General and the State Police have been encouraged to pay more attention to criminal proceedings that are initiated by the SAI's audit materials.

**For more information, contact the Audit Office of the Republic of Latvia:  
E-mail: [lrvk@lrvk.gov.lv](mailto:lrvk@lrvk.gov.lv)  
Website: [www.lrvk.gov.lv](http://www.lrvk.gov.lv)**





Associate Professor Dr. Recai Akyel, President of the Turkish Court of Accounts, left, and Mr. Cemil Çiçek, Speaker of the Turkish Grand National Assembly.

## SAI Turkey submits audit reports

The audits of 2013, which are required by Articles 160, 164, and 165 of the Turkish Constitution; the Public Financial Management and Control Law no.5018; and the TCA Law no.6085, have been completed. TCA audit reports regarding the results of the audits of 2013 have been prepared and submitted to relevant authorities.

The General Conformity Statement, External Audit General Evaluation Report, Activity General Evaluation Report, and Financial Statistics Evaluation Report, which were prepared as a result of the audits for 2013, and the TCA Audit Report for 157 entities, were submitted to Parliament on September 12, 2014.

The President of the TCA, Associate Professor Dr. Recai Akyel, visited Speaker of the Parliament Mr. Cemil Çiçek and gave information on the TCA

Audit Reports for 2013.

Among the TCA Audit Reports for 2013, the reports which were submitted to Parliament and sent to the relevant entities have been published on the website of the TCA and made public. Reports regarding the local administrations will be sent to the relevant local administration councils, Development Agency Reports will be sent to the relevant entities, and State Owned Enterprises' reports will be sent to the Parliament and the relevant entities.

They will then be published on the website of the TCA.

For more information, contact the Audit Office of the Republic of Latvia:

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# Regaining public trust:

the future of the audit profession in the Netherlands

by Ellen van Schoten

Secretary-General of the Netherlands Court of Audit

**T**HERE HAVE BEEN a number of major incidents in recent years involving poor quality of work and inappropriate behavior in the audit profession in the Netherlands. Time and time again, it was proven that the quality of the work performed by auditors was not in order.

The Dutch audit profession has come under increasing pressure in recent months to take action. This prompted the Dutch Institute of Chartered Accountants (NBA) to set up a committee to come up with proposals for the future of the audit profession. The committee published its report on September 25, 2014.

The Netherlands Authority for the Financial Markets (AFM) also published a report on the same day. Under the Audit Firms Supervision Act, the AFM is required to supervise audit entities that issue audit reports that are relevant to the Dutch capital market. Since October 2006, audit firms wishing to perform 'statutory audits' in the Netherlands have been required to hold a licence from the AFM.

The AFM report concluded that the quality of the statutory audits performed by the 'Big Four' audit firms was not up to standard.

In the summer of 2014, we discussed these developments with a number of high-level stakeholders. Regaining public trust was the central issue in these discussions.

Inevitably, the public is losing trust in the audit profession, which it used to hold in high esteem. Regaining public trust is especially relevant for the public sector, which depends on a strong and quality-oriented accountancy sector.

In a letter to Parliament in November 2014, we stressed the key issues affecting the public

sector in the debate.

The problems in the audit profession also affect the public sector. Schools, housing associations, local authorities and government agencies all use audit reports drawn up by private audit firms. Government is by the people, for the people. This means that people need to rest assured that their government acts with integrity, spends its money carefully, is clear about its intentions and capabilities, and delivers on its promises.

This should be reflected by the quality of the audits performed by private audit firms working for the public sector. Only then can the public be confident that the government spends taxpayers' money carefully.

The recent report by the AFM, combined with the many incidents in the recent past, make clear that, sadly, confidence in the audit profession is no longer a matter of course. The reputation of the audit profession in general, and chartered accountants in particular, has taken a battering. Public trust needs to be regained.

It goes without saying that the interest taken by the Netherlands Court of Audit in the Dutch audit profession is not new, and stems from our statutory duty to audit the ministries' annual reports. The local authorities and provincial councils in the Netherlands receive specific-purpose grants from the government for performing a variety of tasks, such as disaster relief and mitigating educational disadvantage. In 2013, the central government distributed €12.7 billion worth of specific-purpose grants. These are audited in accordance with the "single-information, single-audit" (SISA) principle, which means that local authorities provide assurance

“The reputation of the audit profession in general, and chartered accountants in particular, has taken a battering. Public trust needs to be regained.”

— Ellen van Schoten



about the spending of specific-purpose grants in an annex to their annual report, which is audited by private audit firms. In 2011, we uncovered a serious shortcoming in the SISA system. Our review showed that the quality of the audit work did not provide an adequate basis for deciding whether the specific-purpose grants had been spent in a lawful, or regular, manner.

Fortunately, that situation has now improved: the Minister of the Interior took steps in 2013 to improve the SISA system and informed Parliament accordingly. However, this does not detract from the importance of our original observation. The government is now planning further transfers of tasks, responsibilities, and budgets in relation to youth care and social services to the local authorities (representing an annual budget over €8 billion). Private audit firms will audit this spending. The public must be confident that this public money is well spent, which means that the quality of their audit work must be beyond reproach.

The AFM stated in its report of 25 September that 60% percent of the audit work performed for public and semi-public corporations was of inadequate quality. Although the proportion of audit work at public-interest entities (PIE) classified as inadequate was also high, the percentage was considerably lower, at 31 percent.

Under the Audit Firms Supervision Act, a “public-interest entity” is defined as a publicly listed company, among various other types of organizations. However, the organizations in which the public interest is most apparent, i.e., public-sector organizations, do not fall under the definition of a PIE. Since public-sector

organizations such as schools, hospitals, and housing corporations are of vital public importance, this does not make sense.

The NBA and the AFM are now proposing to change this. We endorse the recommendations made by the AFM and the NBA to extend the definition of PIEs to the public sector.

However, great care needs to be taken both in terms of the speed with which the definition of PIEs is extended to the public sector and the manner in which this is done. Not only are many different organizations involved, the number of PIE permit-holders is limited.

In addition, the PIE framework is tailored to private organizations governed in a manner that is different from organizations funded fully or partly with public money. Local authority governance is totally different from the way in which private companies are governed.

For this reason, we advised Parliament to explore how the role of auditors at local authorities could be improved before extending the PIE framework to local authorities. This is especially important as local authorities feel that the current system of statutory audits is based too much on the system used for auditing private businesses, and is therefore ineffective and not efficient.

In 2013, we informed Parliament that the share of public spending authorized by Parliament in the form of budgetary laws is falling – gradually but steadily. Countervailing this trend, an increasing share of public expenditure (i.e., spending by the local authorities, and spending on care and social security) takes place beyond Parliament’s field of vision and influence. Parliament and local authorities rely on »

Government is by the people, for the people. This means that people need to rest assured that their government acts with integrity, spends its money carefully, is clear about its intentions and capabilities, and delivers on its promises.

private audit firms to ensure that this money is spent in accordance with laws and regulations.

We also informed Parliament that an increasing amount of public money falls outside the direct responsibility of the relevant minister. This applies, for example, to the Municipalities Fund (the budget for which will rise by more than €10 billion as of 1 January 2015, in the wake of the decentralization operation), the National Police, and schools. Parliament depends on private audit firms to provide assurance about the regularity of this spending.

All the more reason, therefore, for us to be involved in the debate about extending the definition of PIEs to public-sector organizations and, in more general terms, in the action taken by the audit profession to improve the quality of their work.

There are two other issues which we feel are particularly important. First, the governance of the audit profession itself is not mentioned either in the report issued by the NBA or in the AFM report.

A crisis such as that now facing the audit profession requires decisive action and firm leadership, especially in those areas in which public trust must be restored as a matter of priority, such as in relation to the public sector.

We believe that it would be worth examining whether extending the definition of PIEs to public-sector organizations would affect the governance of the NBA.

This could also help solve certain problems related to specific laws and regulations. At the moment, problems arising from the complexity of specific laws and regulations are solved in negotiations between the relevant ministry and the NBA. It might be wiser to discuss problems in a broader context, so that lessons can be drawn for the public sector as a whole that will enable similar solutions to be found for similar

problems.

Second, the committee proposes setting up an independent institute to investigate the causes of poor quality control and the effects of national and international action in relation to the audit profession.

We welcome the audit profession's desire to boost its learning capacity and investigate shortcomings and incidents. We would recommend taking account of the specific characteristics of the public sector, which require a tailored approach using specific expertise.

We have offered to get together with other stakeholders, such as the Minister of Finance, the AFM, and the NBA, in order to discuss how this might be achieved.

As I have sought to make clear in this article, the recent developments affecting the audit profession in the Netherlands have not come to an end. In fact, the process of change has only just begun.

Audit firms now have to start adopting the 40 different measures proposed by the NBA committee. These include changes in their governance, business models, and remuneration structures, as well as the introduction of claw-back regulations and so forth.

The Netherlands Court of Audit is planning to closely monitor the measures taken to improve the quality of audit work in the public sector. As I have already said, extending the definition of PIEs to public-sector organizations plays an important role in this.

I would be very interested in hearing from colleagues from other SAIs whether they have encountered the same issues in the audit profession in their own countries, and whether they have any suggestions or lessons that could be useful for us in the Netherlands.

Please feel free to contact me at [e.vanschoten@rekenkamer.nl](mailto:e.vanschoten@rekenkamer.nl) ■

# Using audit procedures in revenue audit

Although revenue audit is a significant domain of public sector auditing, limited guidance materials are available. SAI Nepal offers its experiences as examples for other SAIs interested in revenue audit.

by Ramu Prasad Dotel

Assistant Auditor General, Office of the Auditor General, Nepal

**A**LTHOUGH REVENUE AUDIT is a significant domain of public sector auditing, limited guidance materials are available on this topic. When performing revenue audits the Office of the Auditor General in Nepal has used a combination of procedures, rather than a single approach, to produce well-informed conclusions. We offer our experiences as examples for other Supreme Audit Institutions (SAIs) interested in revenue audit.

Revenue consists of all kinds of government receipts, such as tax, duty, fees, levies, interest, dividends, and income from the sale of assets, investments, and the leasing of government property. It is the responsibility of revenue authorities to see that all revenue is correctly assessed, collected, and deposited to the government treasury— and it is the main objective of revenue auditors to ensure compliance with legal provisions in this assessment, collection, and deposit of revenue.

The Lima Declaration of Guidelines on Auditing Precepts (1977) states that SAIs shall be empowered to both audit the collection of taxes to the maximum possible extent and to examine individual tax files. The International Organization of Supreme Audit Institutions (INTOSAI) has developed International Standards for Supreme Audit Institutions (ISSAIs); these standards deal with financial, compliance, and performance audit.

These ISSAIs can also be used for revenue

audit. However, INTOSAI has not developed any guidance notes for revenue audit. Research literature in this area is also lacking. This article is therefore based on the practical cases of SAI Nepal in using audit procedures for revenue audit.

## Use of Audit Procedures

During the revenue audit's planning stage, in order to gain insights into the tax administration system, auditors reviewed operational processes, the information technology (IT) environment, policies, directives, legal provisions, roles and responsibilities, control procedures, and the monitoring mechanisms of the Inland Revenue Department (IRD) of Nepal. Auditors then identified inherent and control risks associated with compliance with laws and directives. At the end of this exercise, areas having the greatest likelihood of risk, and the greatest impact on revenue collection, were selected for audit.

Three audit procedures—test of control, substantive analytical procedures, and test of details—were designed for use in the revenue audit. Examples of combining audit procedures to collect sufficient and appropriate audit evidence are discussed below.

### Case one: Mismatched transactions

The IRD of Nepal has introduced a system in »

Three audit procedures—test of control, substantive analytical procedures, and test of details—were designed for use in revenue audit.

which taxpayers are required to upload purchase and sales transactions of more than 5,200 USD. These taxpayers must specify their permanent account number (PAN) in IRD's IT system. This arrangement ultimately contributes to the control of tax evasion.

While performing the test of control, auditors reviewed the effectiveness of the system. They noticed that IRD has also developed mismatch software which can be run in its IT system to identify discrepancies reported by taxpayers regarding purchase and sales transactions. Thousands of mismatched transactions were thus reported by the system.

However, IRD did not assess the tax implications of these events.

Auditors also discovered that some taxpayers were not uploading their transactions into the system. The return details were verified for taxpayers even when they did not upload their purchase and sale transactions. This indicated that the IRD's internal control system was not consistently applied. In fact, the system was found to be ineffective in controlling tax evasion due to a lack of proper administration.

Auditors also performed a test of detail procedures by selecting 157 tax payers for which a transactional mismatch had been reported. Auditors compared the return details submitted to IRD with the purchase and sales ledgers of individual taxpayers, and found several cases of insufficient reporting.

For example, a report by taxpayer A regarding a purchase from taxpayer B was not reported as a sale by taxpayer B. Likewise, a sale reported by taxpayer X to taxpayer Y was not reported as a purchase by taxpayer Y.

While compiling such cases, auditors found that a sales transaction worth 16 million USD was underreported, resulting in a loss of about 8 million USD in value-added tax (VAT) and income tax revenue.

These cases of tax evasion were reported

to the IRD, which has since initiated a tax liability assessment process.

### Case two: Increasing Value-Added Tax credit

As per the VAT Act, VAT paid in purchases can be credited to the amount of VAT collected from sales. A taxpayer submits a debit return to IRD if the amount of VAT collected is more than the amount of VAT paid during the purchase. Likewise, a taxpayer submits a credit return if the amount of VAT paid is higher than the VAT amount collected.

While performing the test of control of this process, auditors found that less than two percent of VAT returns filed in IRD were reviewed by the tax officer.

As significant weaknesses were found in internal control, the auditors extended audit procedures and performed substantive analytical procedures by collecting the information relating to 2012/13 on the ratio of debit and credit VAT returns.

They found that 22 percent of taxpayers registered in the VAT system had not submitted VAT returns to the IRD. Of the taxpayers who did submit returns, 32 percent had submitted zero rate returns, and 52 percent submitted credit returns. This indicates a serious problem in the implementation of VAT.

Auditors also noted that during 2012-13, the amount of VAT debit returns submitted by taxpayers totaled only 252 million USD, compared to a credit return total of 1.8 billion USD. The VAT credit return amount was 7.2 times that of the debit return amount; taxpayers are clearly claiming many more VAT dollars from the government treasury than were paid into the system.

Auditors also used test of detail procedures, by selecting random taxpayers for review, to identify the cause of increasing VAT credits. This test revealed that increasing government exemptions on the VAT, and the submission of fake bills, were main causes of the discrepancies. This

“Our experiences show that any one audit procedure, on its own, cannot provide the quality of audit evidence that a combination of approaches can produce.”

— Ramu Prasad Dotel

issue was reported to the IRD to investigate on a case-by-case basis.

### Case Three: Interest claimed for non-business loans

The Prevailing Income Tax Act of Nepal states that only the interest paid for loans used for business purposes, rather than personal or other loans, can be deducted.

While reviewing the control environment at internal revenue offices, auditors noted that tax returns submitted by taxpayers claiming interest expenses are substantiated only when IRD conducts a tax audit.

Normally, the IRD only selects two percent of all filed returns for follow-up audits. Auditors therefore determined that interest expense claims were a risk area for the 2012-13 audit.

Auditors performed a test of details in order to identify the actual use of loans taken out by taxpayers. Loans and interest paid were verified, and the annual cash inflow and outflow of the randomly selected taxpayers was also reviewed.

Auditors found that loans were taken out by taxpayers on different dates and from different banks than those reported. However, the cash

and bank balances of the loan recipients had been found sufficient by tax reviewers for the business requirement.

In reviewing the cash outflow, it was noted that taxpayers had given the available funds to the directors, or had advanced funds to other firms or people with whom they had no direct business relationship. Auditors pointed out these loans were not used for business purposes and so, as per legal provisions, the interest on such loans was not tax deductible.

The audit revealed that the claimed interest on loans not used for business purposes resulted in a revenue loss to the government of 500,000 USD.

### Conclusion

Audit procedures conceptualize the activities performed to collect sufficient and appropriate audit evidence. In the process of the three revenue audits previously cited, auditors performed three audit procedures—test of control, substantive analytical procedures, and test of detail—to mitigate the risk of material misstatement. Our experiences show that any one audit procedure, on its own, cannot provide the quality of audit evidence that a combination of approaches can produce. ■

# The role of SAIs in auditing policy and law-making

We argue that SAIs can play an important role in advancing evidence-based policy-making and regulatory quality. We will demonstrate that in recent years several SAIs have conducted audits on policy-making processes and that this can be considered as a transnational field of performance auditing. We urge SAIs to share experiences on the topic so that auditors can be encouraged to recognize relevant audit questions and methods.

By Auri Pakarinen, Principal Performance Auditor, PhD, and Annu Kotiranta, Senior Auditor, Fiscal Policy Audit, National Audit Office of Finland

## **Editor's Note:**

*In addition to research and the authors' auditing experience, this article is inspired by discussions at two workshops: the paper builds on the discussions at the workshop "Auditing Policy-Making Process: How to Create Better Regulation" delivered by the writers at the Young EuroSAI congress in Rotterdam in November 2013, and the workshop "The Role of Audit Offices in Regulatory Policy," which was run by the OECD at the International Regulatory Reform Conference in Berlin, February 2013.*

## **Policy-making or law-making?**

In this article two terms, "policy-making" and "law-making" are used to describe the preparation of legal norms. In the English language, the term "policy-making" emphasizes the role of political decision-makers, while the term "law-making" refers more to the technical work carried out by civil

servants. However, in some other languages and jurisdictions, this distinction cannot be easily made.

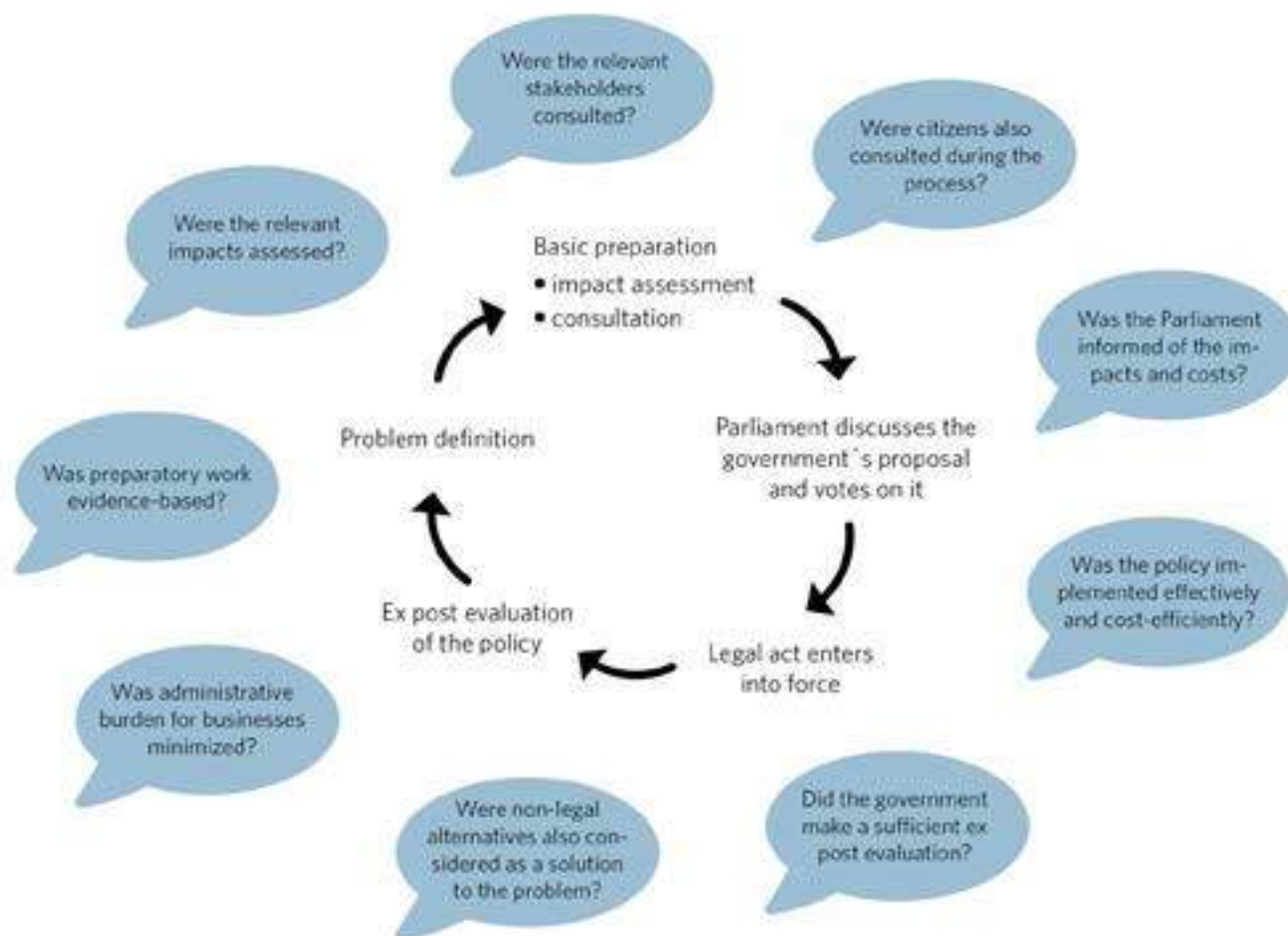
## **Why should policy-making processes be audited?**

Careful formulation of legal rules may contribute to efficient use of public resources, competitiveness, and social welfare. Regulatory failure may have disastrous effects; the financial crisis of 2008 partly resulted from incomplete regulation and implementation. Auditing creates an incentive for government officials to make better impact assessments, to consult relevant stakeholders, and to develop regulatory management.

Policy-making itself may be a function involving significant public spending. Depending on the scope of the jurisdiction, there can be hundreds or thousands of government officials directly involved in the preparatory work. Hence, evaluation of policy-making can also be justified by direct economic significance.



## Policy cycle and audit questions



Citizens and members of parliament expect SAIs to evaluate policy-making processes. This call, or wish, expressed by SAIs' "clients" is the final argument for the need to audit policy-making. In some countries, SAIs may also be the only public authority in a position to independently evaluate policy-making processes.

### What types of audit have been conducted?

In the past few years, several SAIs have audited regulatory policy. A recent survey by the OECD found that in 14 of the 34 member countries, SAIs had audited regulatory management tools or programs (OECD, 2014, *OECD Framework for Regulatory Policy Evaluation*: 68–72, [http://www.keepeek.com/Digital-Asset-Management/oecd/governance/oecd-framework-for-regulatory-policy-evaluation\\_9789264214453-en#page1](http://www.keepeek.com/Digital-Asset-Management/oecd/governance/oecd-framework-for-regulatory-policy-evaluation_9789264214453-en#page1)). OECD considers this as a moderate result and indirectly calls for a strengthened role of SAIs in the field. We examined what types of audit have been conducted by European SAIs. Examples of recent audit reports of seven SAIs are listed in the information box below. When reviewing audit reports on policy-making, we

found that the following four topics had been audited by more than one SAI:

- Impact analysis: the European Court of Audit, the British, the Finnish, the Norwegian, and the Swiss SAIs
- Preparation or implementation of EU regulations and directives: the British, the Finnish, and the Dutch SAIs
- Government's regulatory policy: the British and the Finnish SAIs
- Evaluation of the administrative burden reduction programs: the British and the Swedish SAIs

Our brief comparison indicates that the policy-making process is a transnational topic for performance auditing. Still, national SAIs may not be aware that the same audit questions have also been posed elsewhere by several other SAIs as, to our knowledge, this field of auditing has not been widely discussed in the international government auditing community. Our argument is that the SAIs auditing policy-making processes may benefit from recognizing that the same topic has also been evaluated in other countries. Understanding the context of a policy-making process may help an »

# Regulatory governance in the Ministry for Foreign Affairs

The National Audit Office of Finland audited law-making in the Ministry for Foreign Affairs in 2013. The evaluation was part of a broader audit report on the management systems in the Ministry. The quality of law-making was audited against three main criteria: 1) law-making is properly managed, 2) satisfying impact assessments are made, and 3) the preparatory process is transparent and involves relevant stakeholders.

auditor to construct audit questions and quality criteria, as will be shown in the next section.

## How to audit policy-making processes?

There are a number of generally recognized criteria for evaluating the quality of a policy-making process. Policy-making should be analytical, evidence-based, open, and participative.

During the process, alternative regulatory options should be taken into consideration. At the final stage, members of parliament should be provided with all the necessary information to decide on the proposed law. The following chart illustrates the policy cycle and presents audit questions that should be asked at different stages.

These normative criteria have been articulated in several government guidelines. The most influential is the OECD's *Recommendation of the Council on Regulatory Policy and Governance* (<http://www.oecd.org/governance/regulatory-policy/49990817.pdf>). The OECD recommendation strongly emphasizes the role of an implicit whole-of-government policy for regulatory quality with institutions and mechanisms to implement and oversee the policy.

When a policy-making process is

audited, official preparatory documents are in most cases an essential source for the analysis. The empirical methods typically include interviews of government officials, parties affected by the regulation, and other experts. Quantitative data on the realized impacts of a regulation can be gathered and this data can be compared with the initial goals of the regulation and estimates of its impacts.

## Conclusions

There are at least three main reasons why SAIs should audit policy-making processes. First, careful design of regulations may contribute to saving public resources. Second, SAIs are in a position to independently audit preparatory work. Third, both the general public and the parliament often expect SAIs to audit it— in fact, in recent years several SAIs have already audited policy-making processes. However, national SAIs may not have been totally aware that the same audit questions have also been analyzed by other SAIs. We suggest that the awareness of the common field could help auditors to recognize relevant audit questions and methods. In the future, a discussion platform or network for changing experiences between SAIs might be fruitful. ■

## Preparation of tax legislation

The economic impact assessments concerning indirect taxation were audited by the SAI of Finland in 2014. The audit covered a comprehensive selection of past reforms concerning indirect taxation, such as changes in value-added, alcohol, and fuel taxes. In the audit the background calculations of the impact assessments were reconstructed and validated. Auditors also examined whether the government proposals included all the relevant information on the economic impacts of the changes and whether the information was presented correctly. Attention was also paid to the preparation process: did the ministry have sufficient time and human resources to conduct proper impact assessments? The issue of whether the conducted changes in taxation were in line with the economic theory's suggestions on an efficient tax system was also discussed.

# Examples of audit reports on policy-making processes:

## European Court of Audit

- Impact Assessments in the EU Institutions: Do They Support Decision-Making? 2010

proposals particularly with regard to assessment of economic impacts]

## National Audit Office (UK)

- Delivering Regulatory Reform, 2011
- Assessing the Impact of Proposed New Policies, 2010
- Delivering High Quality Impact Assessments, 2009
- The Administrative Burdens Reduction Programme, 2008
- Regulatory Quality: How Regulators are implementing the Hampton vision, 2008
- Lost in Translation? Responding to the Challenges of European Law, 2005

## Netherlands Court of Audit

- Europese regelgeving: Implementatie van Europese richtlijnen en handhaving van Europese verordeningen in Nederland, 2008 [European rule-making: Implementation of the EU directives and enforcement of EU regulations in the Netherlands]

## Office of the Auditor General of Norway

- Riksrevisjonens undersøkelse av om offentlige tiltak utredes på en tilfredsstillende måte, 2013 [The investigation of whether government actions are examined in a satisfactory manner]

## National Audit Office of Finland

- Veromuutosten taloudelliset vaikutukset: välillinen verotus, 2014 [Economic impacts of tax reforms: indirect taxation]
- Sosiaali- ja terveystieteiden ministeriön säädösvaikutusten selvitys, 2012 [Legislative Drafting in the Ministry of Social Affairs and Health]
- Hallituksen lainsäädäntösuunnitelma, 2012 [The Government's legislative plan]
- Säädöshankkeiden valtiontaloudellisten vaikutusten arviointi, 2011 [Evaluation of the economic impacts of legislative projects]
- EU-säädösehdotusten kansallinen käsittely erityisesti taloudellisten vaikutusten arvioinnin kannalta, 2006 [National preparatory procedure of the EU legislative

## Swedish National Audit Office

- Regelförenkling för företag: Regeringen är fortfarande långt från målet, 2012 [Simplifying regulations for businesses: The government is still far from the goal]

## Swiss Federal Audit Office

- Umsetzung der Evaluationsklauseln in der Bundesverwaltung, 2011 [Review of the implementation of evaluation clauses in the Federal Administration]
- Comment les offices mesurent-ils les effets de leurs actions? Evaluation du système d'information de dix offices fédéraux, 2005 [How do agencies measure the effects of their actions? Evaluation of the information system in ten federal agencies]

# Inside INTOSAI



## Progress update from the INTOSAI Capacity Building Committee

**By Thembekile Kimi Makwetu**  
**Auditor General of South Africa and**  
**Chair of the INTOSAI Capacity Building**  
**Committee**

At the XXI INCOSAI in Beijing in 2013, the INTOSAI Capacity Building Committee (CBC) was given a mandate for reform, taking into consideration the developments in INTOSAI in general and in the development arena specifically. The new CBC leadership presented its value proposition in an INTOSAI Journal editorial by Kimi Makwetu in July 2014, and in the first annual joint CBC meeting in Lima, Peru, in September 2014.

As the first year under a new CBC leadership comes to an end, it is time to report on progress in relation to the ambitions set in the value proposition. So far, the ambitions articulated in the value proposition have served to ensure that the CBC adds value to the capacity-development sphere of INTOSAI in the following ways.

Value proposition: to strategically and constructively challenge current structures, priorities, programs and activities, including identifying and addressing capacity-building overlaps, gaps, and inconsistencies within INTOSAI.

The decision to transform the CBC Steering Committee annual meeting into a joint event for

all CBC work streams, members, and stakeholders succeeded in encouraging dialogue, coordination, and cooperation during the annual meeting in Lima.

The Task Group on INTOSAI auditor certification provided an opportunity for the CBC to challenge its own structures and priorities by quickly responding to a request from the Finance and Administration Committee, partnering with the IDI, and working closely with the Professional Standards Committee (PSC), the Knowledge Sharing Committee (KSC) and a number of INTOSAI regions and supreme audit institutions (SAIs) to address a need clearly expressed by members.

Value proposition: to partner with those already in the capacity-building game, encouraging capacity-building providers and practitioners, especially the IDI, to focus on their areas of strength, enabling a greater impact of their efforts where possible.

The CBC has engaged with the Chair and Director General of the IDI throughout the year to coordinate initiatives, not least of which is the Task Group on INTOSAI auditor certification.

The CBC Chair is an active member of the INTOSAI-Donor Cooperation Steering Committee, the INTOSAI Task Force on Strategic Planning, the INTOSAI Governing Board, and

is an observer on the IDI board. The CBC leadership has also been invited to join the Finance and Administration Committee. These arenas offer an opportunity to learn from others, share the plans of the CBC, and coordinate efforts.

Value proposition: to champion closer cooperation between the CBC, PSC, and KSC in the interest of capacity building and the efficient use of INTOSAI resources

The CBC, PSC, and KSC attended each other's meetings in 2014 and initiated discussions on closer cooperation and alignment of work plans.

The CBC worked very closely with the PSC on the Task Group on INTOSAI auditor certification, and will continue to do so during the next phase of research and consultations, and ultimately the development and piloting of a competency framework, as approved by the INTOSAI Governing Board.

Value proposition: to facilitate a greater capacity-building role for the INTOSAI regions, from both a participation and an accountability angle, while recognizing their diversity.

All regions were given a platform at the annual CBC meeting to share information on the region and some of their key success stories and challenges; most of the themes included in the annual meeting program were proposed by the regions.

The regions have been encouraged to share capacity development news on the CBC website ([www.intosaicbc.org](http://www.intosaicbc.org))

Value proposition: to support capacity building through knowledge sharing; for example, by championing communities of practice, supporting inter- and cross regional knowledge sharing, or encouraging coordinated audits.

The CBC annual meeting included theme discussions on interregional as well as coordinated audits. As a result of the discussions during the annual meeting the CBC has included a goal in the work plan to establish a capacity development forum for regular strategic dialogues with the INTOSAI regions and other capacity development stakeholders. Discussions will focus on key capacity development trends, opportunities, and challenges, and will promote the priorities of INTOSAI capacity development in order to strengthen current and future capacity development efforts.

The CBC leadership and secretariat attended, and shared the CBC's plans and ambitions at, regional events in AFROSAI, EUROSAI,

OLACEFS, and PASAI.

All CBC work streams are sharing work programs and information on the CBC website, including CBC guides. The subcommittee on cooperative audits will also start sharing reports and agreements from cooperative audits on the CBC website.

Value proposition: to support the verification or assessment of capacity-building efforts in the form of peer and/or self-assessments, such as ISSAI 5600 on peer reviews and the INTOSAI Performance Measurement Framework, or different forms of external evaluations.

The CBC, through the subcommittee on peer reviews, is updating ISSAI 5600 in time for endorsement at the XXII INCOSAI in 2016. Peer review reports and agreements are continuously shared on the CBC website ([www.intosaicbc.org](http://www.intosaicbc.org)). The subcommittee regularly monitors the number of peer reviews carried out and takes the opportunity to share the benefits of peer reviews through articles and discussions whenever possible.

Value proposition: to explore opportunities and encouraging initiatives for the certification and accreditation of auditors, in coordination with the INTOSAI's Finance and Administration Committee (FAC) and all relevant INTOSAI stakeholders.

The CBC responded to the FAC's call to set up a task group to explore—together with the IDI, PSC, other INTOSAI structures and identified SAIs—the concept, feasibility, and options for INTOSAI undertaking a process for the certification of auditors. The white paper was presented to the INTOSAI Governing Board in November 2014. The Governing Board gave the task group a continued mandate to research the topic and consult widely while drafting a competency framework for piloting.

The INTOSAI Capacity Building Committee proudly reports on these developments, and looks forward to working closely with other INTOSAI bodies and stakeholders in support of capacity development of regions and SAIs within INTOSAI.

**We welcome contributions to the CBC website on capacity development initiatives, success stories, and lessons learned. Please contact the CBC Secretariat by e-mail at [secretariat@intosaicbc.org](mailto:secretariat@intosaicbc.org)**

# EUROSAI Databases:

less paperwork, more information

by Miloslav Kala

**President of the Supreme Audit Office  
of the Czech Republic and Chair of  
EUROSAI Goal Team 3 – Knowledge  
Sharing**

Three years after launching the sixth year EUROSAI Strategic Plan, Goal Team 3 for Knowledge Sharing (GT3) achieved several essential results. These are mentioned in the midterm review report on the EUROSAI's Strategic Plan Implementation, approved by the IX EUROSAI Congress held in The Hague in June 2014.

However, one of these results deserves detailed elaboration, as its intention is to improve EUROSAI members' access to the results of work done by individual SAIs, and by EUROSAI and INTOSAI committees, task forces, and working groups.

The availability of this information might help to significantly reduce the number of questionnaires and requests circulating within the EUROSAI community.

The activity is defined in the EUROSAI Strategic Plan as follows:

- 3.1.1 Establish and maintain a database of audits conducted by the EUROSAI members in different fields.
- 3.1.2 Establish and maintain a database of products of INTOSAI and EUROSAI WGs and Committees including training materials and networks.

## Database of audits:

The objective of the database is to gather in one place as many audits conducted within EUROSAI as possible.

The audit database contains basic information on the audit report, such as the audit title, subject area, year the audit was conducted, type of audit, a short description of the audit, the country performing the audit, materials which are available from the audit, type of performance (individual or coordinated audit), and

contact person or institution.

## Database of products:

The objective of this database is to list, at one central location, as many materials, documents, and projects as possible.

The database of products contains information such as: title of product, source, type of document, subject area (the same as in the audit database), year of publication, country of origin, and a hyperlink to the document. The database covers products from publicly accessible sources.

## Database of training events:

The objective of this database is to gather all training events organised within EUROSAI in one place.

In this database you can find information about training events, such as the date, place, program, and training materials. There are several filters that can be used to search the training events effectively.

By drafting and creating the databases, we took an important first step towards the accomplishment of the implementation strategy arising from the Strategic Plan: to enhance the use of the results of work produced by individual SAIs, EUROSAI, and INTOSAI Committees and working groups as a tool of cooperation.

The next step is to fill in and maintain the databases. As for the databases of products and training events, GT3 is able to complete these databases with the assistance of the EUROSAI Secretariat, goal teams, working groups, task forces and committees.

Nevertheless, the filling up of the database of audits can be done only with contribution and cooperation of all EUROSAI members. By cooperation in this matter, we will contribute to more effective dissemination and accessibility of information—which is the main mission of EUROSAI.

# EUROSAI Goal Team 1:

## Capacity Building



The Strategic Plan of EUROSAI was adopted at the VIII<sup>th</sup> EUROSAI Congress in Lisbon, Portugal in 2011. It indicates the goals and focus areas for the work of EUROSAI for 2011 -2017.

The Strategic Plan contains four goals: 1) capacity building, 2) professional standards, 3) knowledge

sharing, and 4) governance and communication.

In 2011, four goal teams were formed to implement these goals.

According to the Strategic Plan, capacity building of SAIs involves developing skills, knowledge, structures, and ways of working that make an organization more effective, building on existing strengths and addressing gaps and weaknesses. EUROSAI is committed to facilitating the development of strong, independent, and highly professional SAIs.

Membership and activity in EUROSAI's goal teams is based on the principle of volunteering. Therefore, those members participating in the activity of Goal Team 1 are doing so in addition to their regular constitutionally and legally mandated tasks and obligations.

Goal Team 1 was led by the SAI of France until the IX<sup>th</sup> Congress (June 16-19, 2014), and is now chaired by the SAI of Hungary.

### Main outcomes of Goal Team 1

#### Innovation booklets

SAI of the United Kingdom assembled two innovation booklets.

When compiling these publications, Goal Team 1 is not judging the innovations but providing a space for each of the members of EUROSAI to share their own experiences. It is then up to each of us as readers to decide which innovations might be of interest, and/or might be useful for our own organizations.

These volumes can be accessed from the



EUROSAI Strategic Plan's capacity building site at [www.eurosa.org/en/strategic-plan/capacity-building/](http://www.eurosa.org/en/strategic-plan/capacity-building/)

### Success stories of Capacity Building

The SAI of Sweden assembled a booklet on capacity building success stories based on the experience of the SAIs of France, Georgia, Portugal, and Sweden. This booklet is available at [www.eurosa.org](http://www.eurosa.org).



#### Survey and seminar of independence

The SAIs of France and Hungary conducted a survey on the independence of SAIs within the EUROSAI Community. The booklet on the survey is available at [www.eurosa.org](http://www.eurosa.org).

In addition, the SAIs of France and Hungary organized a seminar on independence, which was held in Budapest March 28, 2014. Fifty participants from 25 countries arrived to discuss their views on this issue.

Their presentations are available on the EUROSAI website at [www.eurosa.org/en/training/training-events-and-outputs/Seminar-on-Independence/](http://www.eurosa.org/en/training/training-events-and-outputs/Seminar-on-Independence/)

**For further information, contact [international@asz.hu](mailto:international@asz.hu)**

# INTOSAI Task Force on Strategic Planning: update on initial results

The INTOSAI Task Force on Strategic Planning held its second meeting and first in-person meeting on November 5, 2014 at the Vienna International Center in Vienna, Austria. More than 40 individuals representing 22 SAIs and the INTOSAI Secretariat participated.

The Task Force reviewed its progress in identifying key strategic themes of the next plan covering 2017-2022. Those themes were developed based on the results of the Task Force's internal and external scans and related planning efforts currently underway within INTOSAI. The Task Force endorsed a planning perspective that recognizes the need—and opportunity—for INTOSAI to be more “external facing;” that is, fully prepared to assume a central role in enhancing good governance both globally and within our respective nations.

The Task Force also heard the following presentations:

“Current and Emerging Global Governance Risks” by Davide Taliente, Managing Partner, Europe, the Middle East, and Africa (EMEA); and Suresh Kumar, Partner, Public Sector and Health & Life Sciences Practice, from the global management consulting firm Oliver Wyman

“UNDESA and INTOSAI Strategic Outlook: Post-2015 Agenda and Sustainable Development Goals” by Elia Armstrong, Chief, Development Management Branch, Division for Public Administration and Development Management (DPADM), United Nations Department of Economic and Social Affairs (UNDESA).

The Task Force generally agreed on a framework of three overarching strategic themes:

1. Assuring that INTOSAI is alert to emerging opportunities and challenges,
2. Creating INTOSAI programs and initiatives

that respond to emerging opportunities and managing related challenges, and

3. Ensuring that INTOSAI's governance structure and internal management processes support its goals and strategies.

The Task Force also agreed on 17 related sub-themes to guide the development of the next plan. Within those themes, the Task Force will give special attention to several priority areas:

SAI independence remains an overriding value and concern of INTOSAI. We need to identify specific examples of what SAI independence looks like in practice, and concrete steps SAIs and INTOSAI can take when SAI independence is threatened or undermined.

We need to ensure that the strategic plan is clear on specific substantive areas where we expect SAIs—subject to their respective mandates—and INTOSAI to play key roles. The global community's expectations for the essential role that SAIs and INTOSAI will play in monitoring and assessing the implementation of the forthcoming Sustainable Development Goals is one obvious substantive area. Other areas discussed by the Task Force include open data and civic engagement, financial regulatory systems, and sustainable public financing.

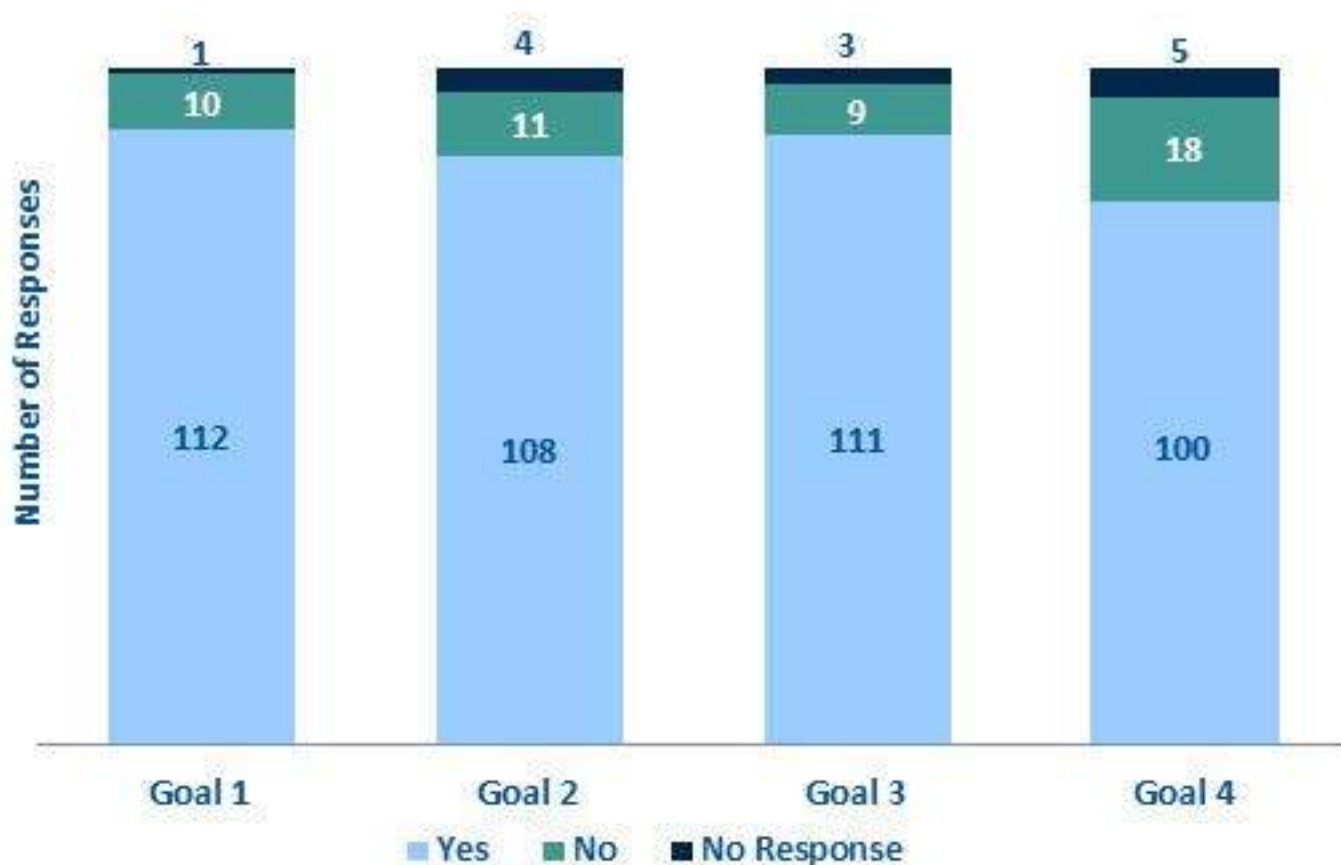
The strategic plan must be based on realistic financial expectations and be consistent with the resources—many of which are provided through in-kind support from individual SAIs—available to INTOSAI.

We need to be prepared to revisit the INTOSAI vision, statutes, and our other foundational statements and documents for possible updates that reflect the evolving role of INTOSAI as articulated in the new plan.

The plan must reflect our strong commitment



### Responses to INTOSAI Strategic Plan Survey



Source: INTOSAI Strategic Plan Survey, 2014

to ensuring a standards-setting process that provides for wide involvement within an organized framework to ensure uniform quality, due process, sustainability, periodic updates, coherence, and integration.

Related to standards-setting, the Task Force on Strategic Planning must remain fully engaged with the INTOSAI-wide discussions on auditor certification.

The strategic plan must recognize and leverage the regional working groups as the lynchpin that links individual SAIs to wider INTOSAI efforts. We need to look for more effective mechanisms for sharing information and experiences across regional working groups and on a worldwide INTO-SAI level, including “what works” practices on a

full range of audit and SAI operational issues—an increased and better use of information and communications technology (ICT) was prominently mentioned as one such mechanism.

We must ensure the plan fully integrates standard-setting, knowledge sharing, technical assistance and training, and capacity building across INTOSAI so that we are collectively building on INTOSAI’s achievements and each others’ efforts, and minimizing fragmentation and duplication, as we move forward.

The Task Force will hold a staff-level working meeting on January 28-29, 2015 in Washington, D.C., to prepare for the next in-person meeting of the Task Force on March 5, 2015, in Vienna. »

## Update on the INTOSAI TFSP strategic planning process

The Task Force and the INTOSAI Governing Board also received updates on the significant progress the Task Force has made in developing the 2017-2022 INTOSAI Strategic Plan. The Task Force has closely followed the guidance of the Finance and Administration Committee (FAC) Task Force on Financial Foresight and the FAC itself on the planning process to be followed and the range of issues to be considered in the context of the strategic planning effort.

In May 2014 the Task Force sent out an online internal scan questionnaire to all 192 SAI members and five associate members to obtain their views on INTOSAI's strengths, internal and external challenges, and emerging issues. A total of 123 completed responses were received (for a 62 percent response rate), representing a diverse range of comments from countries in each of the seven Regional Working Groups. This thoughtful input is providing a solid foundation on which to build the next strategic plan.

The Task Force continues to analyze the responses from the internal scan survey. The analysis includes qualitative review of responses to individual questions as well as synthesis of themes identified across the questions. As shown below, one initial finding is that the majority of those responding support the current goal structure.

### Should the INTOSAI Strategic Goals Remain the Same?

The responses included a number of suggestions for approaches to achieving, and the organizational structures supporting, the goals. Also, more than 69 percent of respondents agreed that INTOSAI should move forward with offering a formal accreditation/certification for the International Standards of Supreme Audit Institutions (ISSAI).

In addition to the on-line internal scan questionnaire, the Task Force also offered to interview INTOSAI leaders to provide them an opportunity

to identify issues they may want to raise outside of their national perspectives as Auditors General. The information gathered from these interviews supplements the perspectives of individual SAIs provided through the internal scan survey.

The Task Force is conducting an external scan to understand INTOSAI's relationships with other international organizations and to ensure that the Task Force fully understands the broader global governance landscape within which SAIs and INTOSAI must operate.

The Task Force has remained fully informed of other INTOSAI evaluations and proposals that provide vital context for the planning effort. These include, for example, IDI's Global Survey 2013, "Supporting Supreme Audit Institutions in Strengthening Performance and Capacities;" the PSC's 2014 Evaluation and Recommendations to Improve INTOSAI's Standard Setting; and the Capacity Building Committee's 2014 "Professional Development in INTOSAI—a White Paper."

The project plan calls for the Task Force to develop a draft strategic plan in 2015. All INTOSAI members, the FAC, and the Governing Board will have ample opportunities to review and comment on a draft plan. The Task Force plans to circulate a final draft plan for all members' review and comments in 2016, in time to deliver a consensus strategic plan for approval at the 2016 Congress.

The Task Force will continue to work closely with the Finance and Administration Committee and the INTOSAI Secretariat, including the Director of Strategic Planning, and will consult with INTOSAI's Standing Supervisory Committee for Emerging Issues as appropriate. The Task Force will also continue to provide updates on its planning efforts through the INTOSAI website, the *International Journal of Government Auditing*, and discussions at meetings of INTOSAI's Regional Working Groups and other entities attended by Task Force members. ■

**For further information or to offer additional insights or suggestions, please contact the Task Force at [INTOSAIstrategicplan@gao.gov](mailto:INTOSAIstrategicplan@gao.gov).**

# ISSAI 30 Review Project

The Steering Committee of the Professional Standards Committee (PSC SC), at its meeting in Stockholm in June 2013, decided to conduct a review of the INTOSAI Code of Ethics – ISSAI 30. To this end, a project team was established composed of the supreme audit institutions (SAIs) of the following countries: Indonesia, Poland (project leader), Portugal, the United Kingdom, and the United States.

At the beginning of 2014, the team carried out an initial assessment aimed at determining whether the Code of Ethics should be revised, and—if so—to what extent. With this view, a survey was developed by the team and distributed among INTOSAI members in the first half of 2014.

On May 8-9, 2014, the team met in Warsaw to discuss the results of the survey and to decide whether to recommend the PSC SC should have the Code of Ethics revised.

According to the survey results, the INTOSAI community generally believes that the Code of Ethics should be updated. The main reason for revision is so that the Code will better meet the challenges of the current auditing world.

This recommendation was also in line with the opinion of the participants of the EUROSAI Seminar *Enhancing Ethics within Supreme Audit Institutions*, held in Lisbon in early 2014.

On this basis, the team recommended a revision of the Code of Ethics in the project proposal that was approved by the PSC SC members at their latest meeting in Manama on May 20-22, 2014.

The main objectives of the revision of ISSAI 30 will be, as set out in the project proposal, to provide for the perspective of an SAI, apart from the perspective of an individual auditor; to provide for consistency with other ISSAIs; to review the fundamental principles and core values of the Code; to introduce some editorial changes aimed at improving the clarity of the document; and to update the terminology.

The project proposal also sets the deadlines for completion of the consecutive stages of the revision, with the final deadline for the development of the exposure draft being July 2015. The exposure draft will then go through the subsequent stages of the Due Process, to be ultimately submitted to XXII INCOSAI in 2016 for approval.

Before the actual revision started, the team had been enlarged in order to provide for a broader regional representation of INTOSAI.

It is now composed of 14 members: Albania, Chile, Hungary, Indonesia, Kuwait, Mexico, Namibia, the Netherlands, New Zealand, Poland (lead), Portugal, South Africa, the United Kingdom, the United States, and one observer – the International Federation of Accountants (IFAC).

The team had a working meeting in Warsaw on October 13-14, 2014, aimed at discussing the form and contents of the revised document, and the division of work.

The team has decided to modify the list of values addressed in ISSAI 30 to comprise the following: independence/objectivity, integrity, competence, confidentiality, and professionalism/professional behavior. Requirements and application guidance will be provided for each value.

The revised ISSAI 30 is also planned to list overall responsibilities of an SAI in the area of ethics. The first draft of the document is expected to be ready before the next working meeting of the team scheduled for February 2015.

Documents related to the project can be downloaded from the Professional Standards Committee website at: <http://www.psc-intosai.org/psc-steering-committee/issai-30-project/>

**For further questions please contact the project secretariat at: [ISSAI30.Review@nik.gov.pl](mailto:ISSAI30.Review@nik.gov.pl)**

# SAI Peru hosts the XXIV OLACEFS General Assembly

Members of OLACEFS' Governing Board gather at the XXIV General Assembly in Cusco, Peru.



The fight against corruption was a central theme at the XXIV OLACEFS General Assembly, held November 25-28 in Cusco, Peru. Two hundred delegates from supreme audit institutions (SAIs) throughout Latin America and the Caribbean gathered at the assembly to discuss the following:

- Technical subject I: The role of SAIs in relation to public governance (chaired by SAI Brazil)
- Technical subject II: Internal control from the perspective of transparency and accountability (chaired by SAI Paraguay)
- Technical subject III: Fiscal control and relationship with other autonomous entities along the countries of the regions: scope, exception, and content (chaired by SAI Honduras)

After keynote speeches and presentations on these topics, participants broke out into smaller groups in which participants could discuss issues and share experiences and best

practices.

OLACEFS Minister Augusto Nardes, Auditor General of SAI Brazil, highlighted the importance of integration and cooperation in the search for good governance mechanisms to promote the fight against corruption, national development, and the quality of life of citizens.

As an example of cooperative acts, Nardes mentioned cooperative audits—which started in Latin America and are now internationally recognized—and cited the implementation of a Latin American and Caribbean network to combat corruption.

“These initiatives demonstrate that Latin America is capable of showing all countries that this union is necessary, not only for the development of our region, but for the whole world,” said Nardes.

A panel of experts from such organizations as the Organization for Economic Cooperation and Development, the World Bank, the Inter-American Development Bank, and the United Nations Development Program spoke to

the theme, “Governance and the fight against corruption.”

Manuel Vargas of the World Bank said that SAIs are crucial for the good administration of public finances, as they assess how public resources are deployed, taking into account financial information and regulation. SAIs evaluate the performance of programs as well their efficiency and effectiveness.

“For the World Bank, this is necessary in order to reduce poverty and promote the distribution of wealth,” said Vargas

The Declaration of Cusco ([http://www.intosai.org/fileadmin/downloads/downloads/OLACEFS\\_Declaracion\\_Cusco.pdf](http://www.intosai.org/fileadmin/downloads/downloads/OLACEFS_Declaracion_Cusco.pdf)) was signed by all full members of OLACEFS as the final document of the XXIV General Assembly.

The document is a milestone for OLACEFS members, as they commit to

- strengthening public governance for the benefit of economic and social development and sustainability in environmental matters within the framework of government auditing;
- supporting endeavors geared at achieving a new resolution of the United Nations General Assembly to include the basic principles for the work of SAIs;
- supporting the recent initiative of INTOSAI to include independence and capacity building of SAIs as well as the improvement of public accounting systems in the

Post-2015 Development Agenda;

- promoting the efforts of INTOSAI and its regional working groups to support common activities, such as efforts to implement the United Nations Sustainable Development Goals by preparing recommendations that shall be taken into account in the Strategic Plan of OLACEFS, and by participating in follow-up activities to implement the Sustainable Development Goals;
- providing impetus for supporting the Latin American and Caribbean Network for the Fight against Corruption;
- continuing inter-institutional efforts to prevent, identify, and carry out follow-up measures on corruption, and to prepare mechanisms concerning better coordination and mutual support for the exchange of relevant best-practice examples and experiences in the region.

Also, in recognition to their outstanding trajectory and contributions to the INTOSAI, OLACEFS awarded the Order of Merit of Oversight in the Americas to Jim Yong Kim, José Manuel Durão Barroso, Josef Moser, Liu Jiay, Luis Alberto Moreno, Tanja Goner, Terence Nombembe and Vítor Caldeira.

**To learn more about OLACEFS, visit [www.olacefs.com](http://www.olacefs.com)**

## OLACEFS Knowledge Management System Implementation Workshop

The Knowledge Management System (KMS) is being developed within the framework of the Institutional Strengthening Program arising from the agreement between OLACEFS and the German Cooperation, implemented by GIZ. This tool will enhance the knowledge flow among OLACEFS members and will improve the capacity of SAIs, by facilitating availability of and access to information.

This system registers information in three main categories: Fiscal Control, Public Governance, and Information Technology.

In March 2014 a Knowledge System Implementation workshop was conducted under the coordination and planning of the OLACEFS Executive Secretariat, the Capacity Building Committee (CCC), and participating SAIs. Ninety public officers and professionals from regional SAIs participated, and were trained in the use of this tool.

# OLACEFS Capacity Building Committee reports on 2014 peer reviews

SAI Belize agreed to work with Peru in one of OLACEFS' 2014 peer reviews.



Peer reviews performed during this year in OLACEFS have as a background the Seminar-Workshop on Peer Reviews held in Asuncion, Paraguay, November 21-22, 2013.

The commitment of the SAIs who agreed to participate in a peer review was considered on the 2014 Annual Planning Activities of the OLACEFS Capacity Building Committee.

Peer reviews performed include the following SAIs:

- SAI Paraguay (reviewed) and SAI Peru (reviewer)
- SAI Dominican Republic (reviewed) and SAI Honduras (reviewer), support of SAI Peru (advisor)
- SAI Belize (reviewed) and SAI Peru (reviewer)

SAIs agreed to be reviewed to strengthen their management and to establish whether

1) their organic structure is in line with constitutional and legal roles,

2) their activities are developed under the necessary tools for proper institutional progress, and

3) their functions meet current legislation and standards issued by the International Organization of Supreme Audit Institutions (INTOSAI).

Participating SAIs elaborated and signed the Memorandum of Understanding for the execution of the peer review project.

**To learn more about OLACEFS, visit [www.olacefs.com](http://www.olacefs.com)**

# EUROSAI WGEA welcomes Estonia as new chair

EUROSAI Working Group on Environmental Auditing (WGEA) has had a busy year with fruitful meetings, transfer of the chairmanship and updated strategic directions.

The Office of the Auditor General of Norway concluded its second term of chairing the Working Group on Environmental Auditing at the EUROSAI congress in June 2014. Since then the chair and secretariat of EUROSAI WGEA is hosted by the National Audit Office of Estonia.

Continuing the practice of previous years, the 12<sup>th</sup> Annual Meeting of the working group was organized in autumn. This time the meeting was held in Vilnius, Lithuania, October 7-9, 2014.

Together with our host, the National Audit Office of Lithuania, we had the pleasure of welcoming delegations of 26 supreme audit institutions (SAIs).

The Annual Meeting was dedicated to the topic of biodiversity. The one-day session on biodiversity included two keynote speeches, followed by a panel discussion on the emerging challenges of national governments to maintain the favorable status of natural habitats.

There were also various presentations from SAIs on experiences of auditing biodiversity issues. Few SAIs have experience auditing biodiversity, and the range of problems presented during the session proves that the topic needs more attention from auditors.

The cross-cutting topic for the meeting was survey data analysis, which was also addressed during a one-day session that included two keynote speeches.

The keynote speeches were followed by SAI presentations, a panel discussion on how to increase the efficiency of surveys and obtain relevant data, and parallel

sessions. As government officials receive various questionnaires on practically a daily basis, the need for better survey planning was emphasized as a way to increase the benefit of using surveys in audits.

The 12<sup>th</sup> Annual Meeting marked the end of one working period and the beginning of another. Therefore, a new Steering Committee was formed and the Strategy and Activity Plan for the next three years was adopted.

During this new working period, EUROSAI WGEA plans to turn its attention toward the citizen perspective in environmental audits. One of our four strategic goals is altered every working period to respond to the topical issues in environmental auditing in Europe.

Now we are turning our attention more toward encouraging SAIs to conduct audits in areas where there is a risk that policies can negatively affect the achievement of environmental objectives, which in turn could affect environmental health and ecosystem services provided to citizens. The citizen perspective will be kept in mind when addressing all other environmental topics.

**For further information about the working group's activities, reports from the meetings, and latest news see the EUROSAI WGEA website at [www.eurosaiwgea.org](http://www.eurosaiwgea.org) or contact us at [euro-saiwgea@riigikontroll.ee](mailto:euro-saiwgea@riigikontroll.ee).**



**Dr Alar Karis,  
Auditor General of  
Estonia and chair  
of EUROSAI WGEA,  
opened the 12th  
Annual Meeting in  
Vilnius, Lithuania.**

# EUROSAI Working Group on the Audit of Funds Allocated to Disasters and Catastrophes

On June 16-19, 2014, at the IX<sup>th</sup> EUROSAI Congress held in The Hague, the Netherlands, the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes was transformed into the Working Group. It was agreed that the Accounting Chamber of Ukraine would chair the Working Group until 2017.

The EUROSAI Working Group's mission is to coordinate and consolidate the efforts of the European SAIs in assisting national governments to develop effective and efficient instruments of disaster and catastrophe prevention. The group will continue the practice of conducting joint international audits, and relevant training and advisory activities.

The group will focus its activity on the implementation of the International Standards of Supreme Audit Institutions (ISSAIs), particularly those providing guidance on the audit of disaster-related aid.

The Working Group currently involves 17 SAIs. The Accounting Chamber of Ukraine invites cooperation from other interested SAIs.

The Working Group is preparing its first meeting, to be held February 5, 2015, in Luxembourg, the Grand Duchy of Luxembourg.

During the meeting, the activity plan for the current period through 2017 will be presented. Participants will also share experiences on issues concerning the international cooperative audits of funds allocated to prevention and consequences elimination of disasters, discuss questions related to the implementation of the ISSAIs of series 5500, and the role and place of the Working Group in these matters.

**To learn more about the EUROSAI Working Group on the Audit of Funds Allocated to Disasters and Catastrophes, visit <http://www.ac-rada.gov.ua/control/euroesai/en/>**

## INTOSAI Journal welcomes new staff

New staff members of the *International Journal of Government Auditing*.



INTOSAI's *International Journal of Government Auditing* (IJGA) welcomes James-Christian Blockwood, Managing Director of Strategic Planning and External Liaison (SPEL) for the Government Accountability Office (GAO), as the new president of the IJGA Board.

Above are pictured, from left, Bill Keller, GAO Director of International Relations and IJGA Editor; Kristie Conserve, SPEL International Relations Program Specialist; James-Christian Blockwood, IJGA Board President; and Amy Condra, GAO Communications Analyst and IJGA Assistant Editor.





# IDI Update

## New Employees join IDI

IDI is pleased to welcome the following new employees:

- Anibal Guillermo Kohlhuber: Manager Capacity Development (OLACEFS) who has joined IDI on secondment from SAI, Argentina.
- Minor Sancho Rodriguez: Manager ELearning and Web Solutions has joined on secondment from SAI, Costa Rica.
- Camilla Constance Fredriksen: Adviser (INTOSAI-Donor Secretariat) has joined on secondment from Office of Auditor General, Norway.

## IDI Staff Meeting 2014 held in Oslo

The annual IDI staff meeting 2014 was held in Oslo from 25-27 August 2014. Key results over 2013-2014 and the plans for 2014-2015 were discussed. Results and indications from the 2013 IDI Global Survey were also discussed. The focus areas for IDI programs during 2015-2018 were identified and discussed. Updates were shared regarding several IDI policies and internal projects. The following are the six priority areas:



In addition to the six areas mentioned above, the IDI Board has also identified a program on 'Developing Young SAI Leaders' as a priority area.

## INTOSAI-Donor Steering Committee meeting held in Paris

The 7th Steering Committee Meeting of the INTOSAI-Donor Cooperation was hosted by the Cour des Comptes in Paris September 17-18. The meeting was attended by 70 delegates representing donors and the INTOSAI community. Key items on the meeting agenda were progress of matching donors with concept notes received under the Global Call for Proposals 2013, discussion of the initial results of the IDI's 2013 Global Survey, progress on the piloting phase »

IDI Update keeps you informed of developments in the work and programs of the INTOSAI Development Initiative (IDI). To find out more about the IDI and to keep up to date between editions of the Journal look at the IDI website: <http://www.idi.no> For information related to the ISSAI Implementation Initiative (3i Programme), please visit <http://www.idicommunity.org/3i>

of the roll out of the SAI PMF, the ongoing evaluation of the INTOSAI-Donor Cooperation, and approval of the 2015 Work Plan for the INTOSAI-Donor Secretariat.

The INTOSAI-Donor Cooperation Memorandum of Understanding had its 22nd donor signatory - the Organization for Economic Cooperation and Development (OECD). Mr. Jon Lomoy, Director of the OECD Development Co-operation Directorate expressed that the signature demonstrates OECD's significant commitment towards strengthening accountability, transparency and the effectiveness of Supreme Audit Institutions worldwide.

### ISSAI Implementation Initiative (3i Program)

#### 3i Workshop for Facilitating ISSAI Implementation (Compliance Audit) for ASOSAI and PASAI

Workshop on Facilitating ISSAI Implementation for ASOSAI and PASAI region was held July 28- August 2, 2014, in Manila, Philippines. The workshop was the last part of the ISSAI Certification Program for the participants from ASOSAI and PASAI in Compliance Audit. At the workshop 31 participants learned how to play their roles as ISSAI advocates, project managers and learning facilitators. Participants also drafted their individual action plans for supporting ISSAI implementation.

#### 3i OLACEFS product adaptation meeting

A team of eleven ISSAI experts and mentors met in Peru from August 5-22, 2014, to adapt 3i Products and courseware for the ISSAI certification programs in OLACEFS.

#### 3i Workshop on Facilitating ISSAI Implementation (Compliance Audit) for AFROSAI-E and EUROSAI

A workshop on Facilitating ISSAI Implementation for AFROSAI-E and EUROSAI region was held from 8 to 13 September 2014 in Dar-es-Salaam, Tanzania. The workshop was the third and final stage of the ISSAI Certification Program for the AFROSAI-E and EUROSAI participants of compliance audit. Twenty-one participants of the compliance audit ISSAI certification program from the AFROSAI-E and EUROSAI regions attended the workshop.

#### Online test for candidates nominated to participate in the 3i Program in OLACEFS

On September 22, 2014, the IDI carried out an online test for selecting participants for the 3i Program in OLACEFS. Ninety-two candidates from 17 SAIs took the test which was conducted on an IDI platform.

#### ISSAI-Based Cooperative Financial Audit reporting meeting held in Nadi, Fiji

The IDI-PASAI ISSAI-based Cooperative Financial Audit Reporting meeting was held in Nadi, Fiji October 13-17, 2014. Ten participants from six SAIs participated in the meeting to finalize their draft audit reports. The reports were peer

reviewed by other SAI member teams. The teams also received expert feedback and guidance.

### IDI's bilateral support program

The IDI in cooperation with the World Bank provided support to SAI Iraq in developing its learning plan. IDI conducted a workshop for 17 staff members from SAI Iraq in Tunis, Tunisia from August 4-8, 2014. The workshop is based on the IDI's Learning for Impact guidance. Following the workshop, the team from SAI Iraq is developing their own learning plan which will be reviewed by the IDI.

### IDI-CBC support program

IDI facilitated the participation of seven participants from six SAIs to the 2014 annual meeting of the INTOSAI Capacity Building Committee at Lima, Peru, held from September 9-11, 2014. The strategic plan of the committee from 2014-2016 was discussed in the meeting.

### IT Audit program

The IT Audit Planning Meeting for the first group of SAIs participating in the capacity development program on IT Auditing was held in Noida, India. SAI teams from 18 countries in ASOSAI and PASAI regions received expert guidance and support in developing their audit plans for conducting IT audits.

### SAI PMF Trainings

A SAI PMF training course was held in San Jose, Costa Rica September 22-24, 2014, organized by the CEDEIR (Evaluación Del Desempeño E Indicadores De Rendimiento, OLACEFS), SAI Brazil, and the INTOSAI-Donor Secretariat. The course had 28 participants from 15 SAIs in OLACEFS, in addition to participants from the Inter-American Development Bank. Many of the participating SAIs are already in the process of conducting a pilot SAI PMF assessment.

Pilot SAI PMF workshops on Lessons Learned and Quality Assurance of SAI PMF assessments were held in San Jose, Costa Rica, September 25-26, 2014. The event was organized by the CEDEIR and the INTOSAI-Donor Secretariat. The workshops had 23 participants from 12 SAIs in OLACEFS and the Inter-American Development Bank. Key objectives of the workshops were to expand the use of and improve the quality of SAI PMF in OLACEFS, through sharing experiences of SAI PMF pilots between OLACEFS members and through the INTOSAI-Donor Secretariat sharing experiences and guidance on conducting quality assurance (QA) reviews of SAI PMF reports. The event was also a first step in developing a pool of QA reviewers with a working knowledge in Spanish.

### Stakeholder communication through IDI's participation in meetings

IDI engaged with its stakeholders through participation in different meetings:



Participants at the SAI PMF training course in San Jose, Costa Rica.

IDI participated in the annual meeting of the INTO-SAI Capacity Development Committee held in Lima, Peru September 9-11, 2014. An update was provided on the IDI's activities. Information brochures were distributed regarding IDI's capacity development programs. IDI participated in the discussions regarding the CBC's strategic priorities and discussed ways to strengthen the ongoing cooperation.

The INTOSAI-Donor Secretariat attended the 7<sup>th</sup> meeting of the Working Group for Values and Benefits of SAIs (WGVBS) in Mexico City September 10-11, 2014. An important part of the agenda was the INTOSAI-Donor Secretariat's progress report on the roll out of the SAI PMF with the following discussions, and the approval of a time schedule for finalising and approving the SAI PMF.

IDI participated in the 47<sup>th</sup> ASOSAI Governing Board meeting in Moscow, Russia from 21-26 September 2014. The Governing Board was updated about IDI's activities with specific focus on supporting the implementation of ISSAIs and cooperation with SAIs in the ASOSAI region. A tripartite meeting was also held between the IDI, ASOSAI Secretariat SAI Korea and ASOSAI Training Administrator SAI Japan. The draft strategic plan of ASOSAI was discussed. The IDI also participated in the joint ASOSAI-EUROSAI seminar on lessons learned from implementing ISSAIs.

At the CREFIAF CRR (Comité régional De Renforcement Institutionnel Des Isc D'Afrique Francophone SubSaharienne) meeting held in Yaoundé, Cameroon August 5-6, IDI's cooperation with the SAIs in French speaking Africa was discussed.

From August 19-22, 2014, IDI participated in the 17<sup>th</sup> PASAI Congress in Apia, Samoa. Capacity development issues of relevance to the SAIs in the PASAI

region were discussed.

IDI attended the 16<sup>th</sup> WGEA (INTOSAI Working Group on Environment Audit) assembly in Philippines from September 29 to October 2, 2014. IDI's last cooperation with WGEA was on forestry audit ending in 2012. Among other issues a program on disaster management based on ISSAI 5500 series was discussed.

On September 18, 2014, IDI participated in the INTOSAI Finance and Administration Committee meeting in Paris. A wide range of issues were discussed, including the work of the INTOSAI-Donor Cooperation and the scheme of INTOSAI certification and accreditation.

At the 6<sup>th</sup> Steering Committee meeting of the INTOSAI Knowledge Sharing Committee in Cairo, Egypt October 14-15, 2014, an update on IDI's activities was provided with a focus on sustained cooperation with the KSC and its constituent working groups on specialised areas of SAIs' operations.

The annual meeting of the Working Group on Public Debt took place in Seoul, Korea October 22-24, 2014. IDI's ongoing program on audit of sovereign borrowing and lending frameworks was discussed.

IDI also participated in the AFROSAI Governing Board in Sharm-El-Sheik in Egypt October 23-30, 2014. Issues regarding cooperation and support in capacity development of SAIs were discussed.

### Contacting the IDI

**To discuss any of the issues presented in this edition of the IDI Update, please contact us:**

**Telephone: +47 21 54 08 10**

**E-mail: [idi@idi.no](mailto:idi@idi.no).**

# INTOSAI-Donor Cooperation Update



## The Roll-Out of SAI PMF:

### Progress and risks identified in relation to the pilot phase

**All targets set in the SAI PMF Roll-Out Strategy regarding training assessors and developing facilitators have been reached. However, risks have been identified in relation to quality assurance of SAI PMF pilots and receiving enough finalised reports and feedback for further development of the framework.**

#### Background

The SAI Performance Measurement Framework (PMF) pilot version was approved in July 2013, and officially launched at INCOSAI in Beijing in October 2013. The SAI PMF is an objective performance measurement framework designed to aid communication on the value and benefits of SAIs, give a high level overview of SAI performance (against the ISSAIs and other international good practices), and to facilitate managing, measuring, and monitoring of SAI performance over time.

The pilot phase was planned for July 2013 – March 2015. A formal consultation period for the SAI PMF Pilot version was planned for the end of November 2014, to last until March 31, 2015. All INTOSAI members will receive a formal notification inviting them to give comments to the framework. Following this, the SAI PMF task team (the task team comprises a number of SAIs, INTOSAI bodies and one donor agency, and is supported by a wider reference group) is scheduled to review the

pilots and inputs from consultations, update SAI PMF, and work through INTOSAI due process. The aim is approval at INCOSAI XXII in December 2016.

SAI PMF is not an ISSAI and is therefore not required to follow the due process for ISSAIs. However, the SAI PMF task team is committed to following the INTOSAI due process as far as it applies.

The INTOSAI-Donor Secretariat within the IDI is coordinator for the task team, and provides support to SAI PMF assessments through providing training courses in SAI PMF, advising on planning and implementation of a SAI PMF pilot assessment, responding to ad hoc queries and clarifications on the SAI PMF, and offering a function of quality assurance of pilots.

As a coordinator for the task team the INTOSAI-Donor Secretariat is also responsible for gathering final pilot reports and feedback on the framework and in the development of the framework itself.

#### The SAI PMF Roll-Out Strategy

The SAI PMF roll-out strategy (Draft Roll-out Strategy 2013, August 2013) has three main objectives:

1. Ensuring the framework is relevant and applicable to all SAIs, regardless of their level of development, administrative heritage, and legal mandate
2. Ensuring that the mechanism for measuring performance is properly calibrated so that

it is neither too hard nor too soft, and can identify differences in levels of performance between SAIs

3. Ensuring that assessors applying the framework are appropriately experienced, trained, and supported to ensure the framework is applied consistently

The first two points necessitate extensive testing of the framework in a number of diverse environments, obtaining assessment results and feedback from assessments, and analysis of the resulting indicator scores to ensure the scoring system is properly calibrated. Consistent application of the framework requires the development of sufficient numbers of SAI PMF assessors to participate in pilots in each of INTOSAI's different regions and language groupings, and the development of SAI PMF facilitators capable of training assessors, in different languages, on the use of the SAI PMF, and raising awareness of the framework.

### Progress to date

The targets in the SAI PMF Roll-Out Strategy were to deliver 12 training courses, train 130 SAI PMF assessors, and develop 12 experienced SAI PMF facilitators. As of today, 16 SAI PMF training courses have been run since March 2013, and about 500 people have been trained. Thirty-four experienced facilitators of the SAI PMF have been developed, 10 courses have been run in English, two in French, two in Spanish, one in Arabic, and one in Portuguese.

The course has not yet been delivered in Russian, but the training materials are being translated into Russian for future use.

SAI PMF courses have been held in all INTOSAI regions except from CREFIAF and AFROSAI-E, but some SAIs in these regions have sent staff to participate on courses in other regions.

A key element in the SAI PMF Roll-Out Strategy is to pilot the SAI PMF Pilot Version in at least 20 countries, covering all INTOSAI regions and languages, levels of development, administrative heritages, and varying SAI sizes and complexities.

As of today, the INTOSAI-Donor Secretariat has received information from 21 Heads of SAIs deciding on the implementation of the pilot version of the framework. Nine of these are in OLACEFS, four in ASOSAI, three in EUROSAI, and one in each of the regions CAROSAI, CREFIAF, AFROSAI-E,

ARABOSAI, and PASAI.

According to the information received by the INTOSAI-Donor Secretariat none of the pilot reports are finalized—nine have reached draft stage, additional four are at the stage of field work, the remaining eight pilots are at the planning phase. With these numbers in mind, there is a risk that it will fall just short of the target of 20 finalized pilots by March 2015.

### Timetable for finalizing and approving SAI PMF

The INTOSAI Working Group on the Value and Benefit of SAIs (WGVBS) had their annual meeting in Mexico in September. During the meeting the working group agreed on the due process to be followed regarding the update and approval of the SAI PMF, leading up to the INTOSAI Congress in 2016. Key extracts from the timetable is:

**Mar-15:** close pilots and consultation

**Aug-15:** WGVBS to approve proposed response to consultation comments and experiences

**Apr-16:** SAI PMF endorsement version to WGVBS

**May-16 – Jul-16:** 90 day re-exposure period (if required)

**Aug-16:** WGVBS approve endorsement version

**Sep-16:** The Committee on Knowledge Sharing and Knowledge Services

**Dec-16:** Governing Board, INCOSAI approve endorsement version

However, the timetable was approved by the WGVBS with the condition that close to 20 pilots had been implemented by the date for closure of the pilot phase, and that the SAI PMF task team received enough feedback on the SAI PMF and copies of final reports to identify and rectify weaknesses in the tool.

### Sharing of experiences from pilots and final reports

Those responsible for each SAI PMF pilot are requested to provide a short summary of experiences from the pilot, remarks on the SAI PMF and a copy of the final assessment report (including indicator scoring) to the INTOSAI-Donor Secretariat. This will enable the SAI PMF task team to analyze the experiences and assessment results (including examining the spread of scores for each indicator) so as to improve the SAI PMF. »

All assessment reports and indicator scores shared with the INTOSAI-Donor Secretariat will be treated in strict confidence and will not be shared or published without the consent of the SAI. Any analysis of the spread of indicator scores will be anonymized to remove reference to individual SAIs.

## Risks regarding SAI PMF Pilot phase

### Quality assurance of SAI PMF pilots

Quality assurance (QA) is crucial for objectivity and credibility of SAI PMF pilot assessments, which is fundamental to producing reports that add value to the development efforts of the SAI. QA entails that the assessment is reviewed by someone who has not directly participated in the assessment, either someone internally from the SAI or someone external.

The QA reviewer should have experience from attending and facilitating SAI PMF training, and should have taken part in a SAI PMF pilot (including in the writing of the SAI Performance report) and showed good analytical skills. Since it is considered a necessary condition for QA reviewers to have taken part in an assessment, this clearly limits the list of potential candidates.

The responsibility for coordinating a QA function is assigned to the INTOSAI-Donor Secretariat. The INTOSAI-Donor Secretariat developed, tested and published SAI PMF QA guidance in May 2014. The INTOSAI-Donor Secretariat's tracking record of pilots has no information about the planned QA arrangements for 10 of the 21 pilots under implementation.

This does not necessarily mean that there are no planned QA arrangements, but it is a matter of concern for the INTOSAI-Donor Secretariat. The risks of not having a proper QA process are low quality reports which misuse the framework, and undermine stakeholders' trust in the SAI PMF, damaging its reputation as a credible and useful tool to add value to SAIs.

### Team leaders for SAI PMF assessments

A team leader for a SAI PMF assessment should have good analytical skills and extensive knowledge of the SAI PMF and ISSAIs, in addition to knowledge about SAI capacity

building and PFM systems. The INTOSAI-Donor Secretariat has noted that the number of potential and available team leaders for SAI PMF assessments are lower than the demand for this, especially in regards to pilots that have an external or peer assessment approach.

### Lack of sharing of final reports and providing feedback

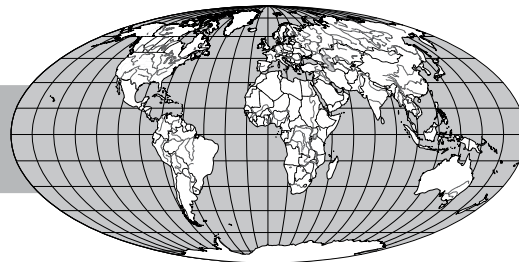
There is a risk that the INTOSAI-Donor Secretariat does not receive feedback and final reports for the pilots undertaken. This will undermine the ability of the SAI PMF task team to identify and rectify weaknesses in the SAI PMF, potentially diminishing the quality of the product that will be put to INCOSAI 2016 for approval.

### Way forward

The INTOSAI-Donor Secretariat, the INTOSAI task team for SAI PMF and champions from around the world will continue to communicate on the purposes of SAI PMF, the importance of quality assurance, and the confidentiality that goes with sharing both draft and final assessments with the INTOSAI-Donor Secretariat. The importance of pilot assessors to provide copies of final reports and feedback to the INTOSAI-Donor Secretariat will be emphasized in several forums.

The INTOSAI-Donor Secretariat sees the need for the establishment of a pool of available QA reviewers and potential SAI PMF assessment team leaders with working knowledge in all INTOSAI working languages. To meet this need the INTOSAI-Donor Secretariat will run advanced SAI PMF training courses with workshops on QA and Lessons Learned from pilots. The courses will target SAIs that have already started implementing the framework and their assessment team members, including assessors from consultancy companies and donor organizations. The workshop on QA will cover both QA of indicators and the analysis in the SAI Performance Report. The Lessons Learned workshops will provide a forum for sharing experiences from SAI PMF pilots. The workshops on QA and Lessons Learned were piloted in OLACEFS in September. The INTOSAI-Donor Secretariat plans to hold similar workshops in other INTOSAI regions in 2015. ■

# INTOSAI 2015 Events



January	February	March
<p>28-28 Meeting of the FAC Task Force on Strategic Planning, Washington, D.C., U.S.A.</p>	<p>10-13 48<sup>th</sup> /49<sup>th</sup> Governing Board Meetings and 13<sup>th</sup> Assembly of ASOSAI, Kuala Lumpur, Malaysia</p>	<p>2-4 23<sup>rd</sup> UN/INTOSAI Symposium, Vienna, Austria</p> <p>5 2<sup>nd</sup> Meeting of the FAC Task Force on Strategic Planning, Vienna, Austria</p> <p>10 XXXXIII<sup>rd</sup> EUROSAI Governing Board Meeting, Helsinki, Finland</p> <p>12-13 IDI Board Meeting, Oslo, Norway</p> <p>24-25 9<sup>th</sup> Meeting of the Performance Audit Subcommittee, New Delhi, India</p> <p>24-26 8<sup>th</sup> Meeting of the INTOSAI Working Group on Key National Indicators, Sofia, Bulgaria</p>
April	May	June
	<p>5-7 23<sup>rd</sup> Meeting of the Working Group on IT Audit, Warsaw, Poland</p> <p>13-14 2<sup>nd</sup> Meeting of the Working Group on Financial Modernization and Regulatory Reform, Washington, D.C., U.S.A.</p> <p>14-15 11<sup>th</sup> Meeting of the Finance and Administration Committee, Washington, D.C, U.S.A.</p>	

*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 will be included according to space available. For additional information, contact the Secretary General of each regional working group. For contact information visit <http://www.intosai.org/regional-working-groups.html>

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