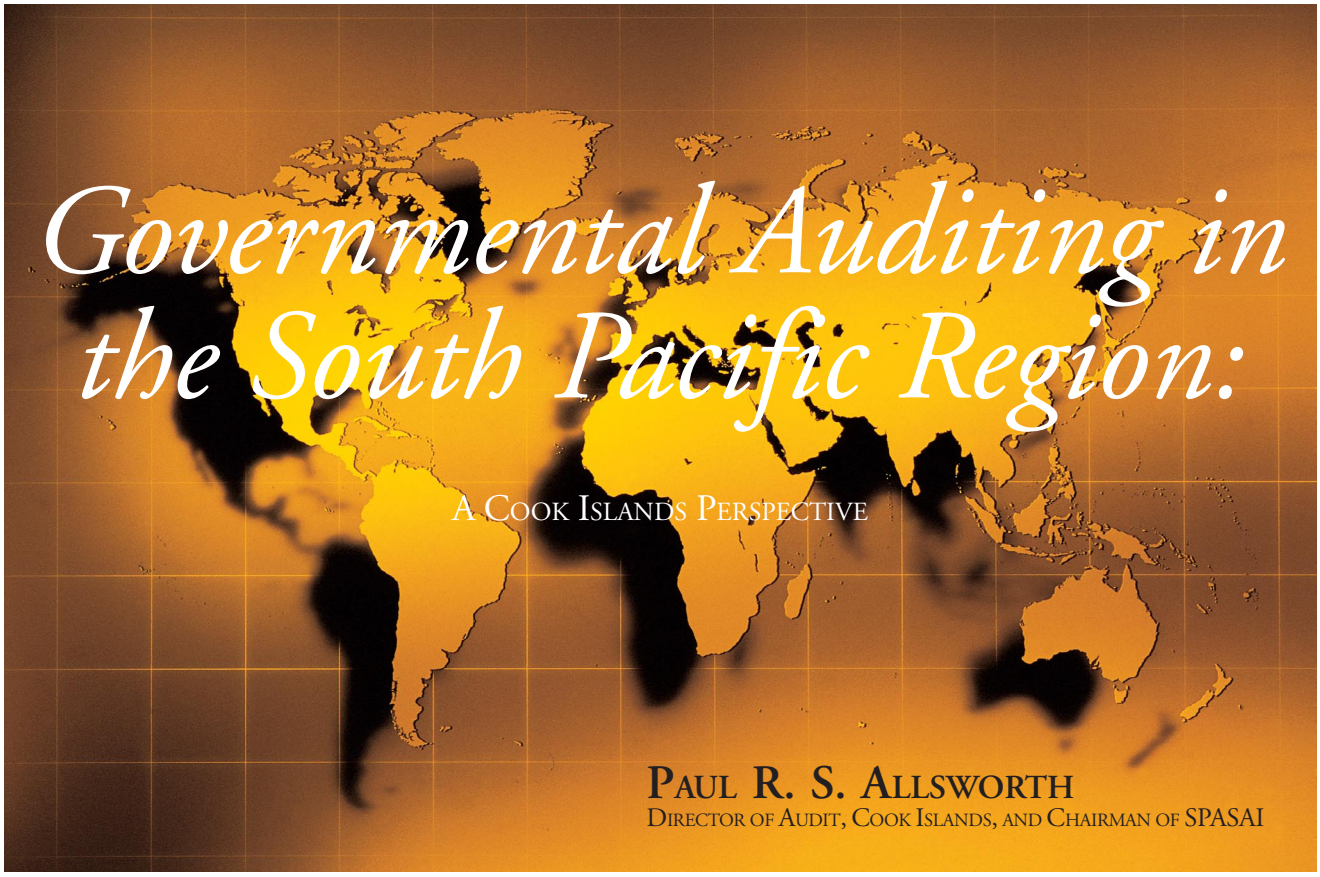

Governmental Auditing in the South Pacific Region:

A Cook Islands Perspective

Paul R. S. Allsworth
Director of Audit, Cook Islands, and Chairman of SPASAI

I am privileged to have the opportunity to share with you some issues and challenges confronting small and isolated audit offices in the South Pacific. For the purpose of this article, I will focus my comments on the perspective of a small island state. The Cook Islands comprises 15 small islands scattered over an area of some 2 million square kilometers of ocean, with a total land area of 240 sq. km. It is flanked to the west by Tonga and Samoa and to the east by Tahiti and French Polynesia. The Cook Islands is divided into a northern group with seven islands and a southern group with eight islands. It has the second largest exclusive economic zone in the world but is one of the least populated countries in the South Pacific, with a population of under 20,000.

History

Until 1987, the Cook Islands Treasury Department maintained an internal audit function that focused primarily on the integrity of the Treasury Department's centralized imprest system, the supply and sale of liquor, stamps, and cash counts. During this period, the internal audit function, which had four local staff, uncovered major fraud involving the supply and sale of liquor and cash losses in government-run post offices. This fraud resulted from poor internal controls and a lack of review and monitoring. In 1987, the Office of Audit and Inquiries, the Audit Office's predecessor, was established under the Public Money and Stores Act. During this period, the Cook Islands government delegated responsibility for the external audit function to the New Zealand Office of the Auditor General.

Prior to 1995, the Cook Islands economy experienced an economic collapse due to a bloated public service leading to over expenditures. The government was forced to downsize and restructure the public service, which resulted in a reform process. The under performance of various government-owned assets contributed to the economic collapse and, consequently, privatization saw the sale of various assets, including the government's failing flagship hotel. The reform process introduced the Public Expenditure Review Committee and Audit Act (PERCA) in July 1996 to help ensure financial management oversight and improve accountability and transparency. As a result of this legislation, the Office of the Audit and Inquiries was replaced by the Audit Office, which has functioned under the PERCA Act from the time of its origin. The external audit function carried out by the New Zealand Office of the Auditor General and private sector chartered accounting firms was transferred to the Cook Islands Government Audit Office, which took on full responsibility for external audit in 1996, when, for the first time, the Director of Audit position was localized. The Director of Audit rendered his first auditor's opinion on the Crown Financial Statements for the year ended June 30, 1998. Since then, the Audit Office has been fully responsible for providing auditor's opinions on the financial statements of the Crown and all of its Ministries and Crown Agencies.

Legislation

After the public sector reform program began in 1995-96, the Ministry of Finance & Economic Management (MFEM) Act was enacted, which required strict financial management controls and replaced line item budgeting with output budgeting. The PERCA Act of 1996 was also designed to ensure adequate oversight and monitoring of compliance with the MFEM Act.

The Cook Islands Audit Office exists as a constitutional safeguard to maintain the financial integrity of the country's parliamentary system of government and to assist government in the effective, efficient, and economic use of resources. The Audit Office assists Parliament in strengthening the effectiveness, efficiency, and accountability of the instruments of government.

The Audit Office is independent of the executive branch of government. Its statutory mandate is enshrined in the Constitution of the Cook Islands, under Article 71, and in the Office of Public Expenditure Review Committee and Audit Act 1995/96, Part 3. The Director of Audit performs the functions assigned to him by law, with the assistance of staff and persons he appoints according to the terms of Section 21 and 24 of the Office of Public Expenditure Review Committee and Audit Act 1995/96.

Staffing and Training

The Audit Office has experienced marked growth since its inception 7 years ago. The size of the audit staff has nearly tripled and local staff have attained formal tertiary qualifications and received ongoing training through the South Pacific Association of Supreme Audit Institutions (SPASAI). SPASAI training programs have received adequate funding as a result of the efforts of the INTOSAI Development Initiative (IDI) and financial assistance from Asian Development Bank (ADB). Both institutions are committed to promoting good governance in the region.

Continuous professional development and staff training have continued to be a high priority for the Office, which has assisted in funding staff to take accounting and law

courses through the extension services of the University of the South Pacific. In February 2001, the Audit Office hosted the 7th SPASAI Congress in Rarotonga. The Congress included a performance auditing workshop for auditor generals in the region.

Financial Accounting and Reporting Practices and Audit Methodology

Since the reform program was initiated, the standards for reporting accounting information from Ministries and other reporting units to the Ministry of Finance and Economic Management have improved considerably. The transformation from the cash basis of accounting to the accrual basis under generally accepted accounting practices has been completed. In the 1998/99 financial period, out of the 30 entities, five qualified audit opinions and one disclaimer of opinion were issued. In the 1999/2000 financial period, three qualified audit opinion and one disclaimer of opinion were issued. However, delays in the timely preparation of financial statements and, the Audit Office's subsequent audit continue to be an area of concern. In December 2002, MFEM issued a comprehensive set of governmentwide accounting and financial reporting policies and procedures.

At present, the majority of Audit Office staff resources are directed toward the conduct of financial statement audits to ensure that the public financial statements of the Crown and its separate reporting units are fairly presented. However, the Office undertakes special reviews targeted at specific problems ranging from internal control structure issues to allegations of criminal wrongdoing in the public service. The Audit Office functions as a safeguard to maintain the financial integrity of the country's parliamentary system of government.

Future Challenges

The recruitment and retention of qualified accountants and auditors is the most significant challenge the Audit Office faces today. Many of the Cook Islands' most talented and ambitious young people have left the country to pursue educational and career opportunities in larger South Pacific countries, such as Australia and New Zealand.

The Office also faces expanding workload management problems caused by understaffing. Quite simply, additional staff are needed to deal with the increased number of required financial audits and the Office's need to begin service performance audits in order to fulfil its legislative mandate. The lure of more attractive rates of pay in the private sector enhances recruitment problems.

To obtain the increased funding necessary to hire additional staff, the Audit Office will have to convince the government that the incremental costs associated with each new staff member hired would be more than offset by cost savings derived through additional audits conducted, especially service performance audits.

Presently, the Ministries and other reporting entities do not adequately report on the nonfinancial elements most commonly included in general purpose financial reports, i.e., the inputs, outputs, and outcomes directly related to service performance. The Audit Office will be encouraging reports on service performance that disclose the degree to which the reporting entity has met its service objectives of supplying goods and/or services. Once these reporting mechanisms are in place, the Audit Office will need to have additional staff to conduct related audits.

By undertaking service performance auditing, the Audit Office plans to become increasingly involved in ensuring the effective, efficient, and economic use of government resources. The performance audits will allow us the opportunity to evaluate the government's return on investment in terms of outputs and outcomes derived from the investment of public funds.

The Audit Office recognizes the need to solicit expert assistance from overseas to ensure that Audit Office staff receive appropriate training and are informed, on a regular and continuing basis, of changes and emerging issues related to international accounting standards and generally accepted accounting practices. While several Chartered Accounting firms practice in the Cook Islands, there may be issues concerning whether they themselves have had the time or opportunity to become fully knowledgeable with respect to current accounting changes and emerging issues.

Environmental auditing, information technology auditing, fraud and forensic auditing, and public debt auditing are also areas of concern and high priority for future staff resource allocations.

The Cook Islands Audit Office is currently challenged in meeting its statutory obligations under the PERCA Act with its existing level of resources. Declining revenues are available to the government due to external factors. The resulting decreasing budget appropriation, in turn, compromises the Audit Office's mandate.

These challenges lay out an ambitious agenda for the Cook Islands Audit Office. Other SAIs face similar challenges in carrying out their mandates. This makes it all the more imperative that as we celebrate INTOSAI's 50th anniversary this year, we continue to share our experiences and collaborate with one another to address our common challenges and promote accountability and transparency in government around the globe. ■

NEWS IN brief

Brazil

Court of Audit Suggests Improvements in Literacy Program

The Brazilian Court of Audit (TCU) recently carried out an audit of the Youth and Adult Education - Solidarity in Literacy Program, whose goal is to reduce illiteracy levels and promote educational opportunities for youths and adults from 14 to 24 years of age.

The audit found that the program did not take into consideration the Ministry of Education's national policy for youths and adults, there was no guarantee of continuity in the students' educational process, and that certain factors—such as visual impairments of some students and problems with textbooks—hindered the program's success. The audit verified the need to connect the Literacy Program with public policies for youth and adult education to ensure continuity in the educational process for those who finish the literacy module.

The Court recommended that (1) the National Fund for Development of Education implement actions in the Solidarity in Literacy Program to identify and treat visual and hearing impairments, (2) the duration of the literacy module be increased, and (3) new textbooks and pedagogical material be written to complement the existing series.

Court of Audit and Internal Revenue Secretariat Join Efforts

The President of the TCU, Justice Valmir Campelo, met with the Secretary of Internal Revenue, Jorge Rachid, to discuss important issues related to federal inspections.

During the meeting, they discussed ways to increase integration between the two institutions and joint actions that would enable more timely collection of relevant information to expedite judgment of TCU audits and increase their effectiveness.

Court of Audit Monitors Zero Hunger Program

Brazil's Minister of Food Security and Fight Against Hunger has requested that the President of the TCU monitor and control actions related to government programs to combat hunger, which President Luiz Inácio Lula da Silva has identified as a priority because of their social impact and the large amount of resources to be invested in them. In response to this request, Justice Campelo, President of the TCU, stated that his audit office will pay special attention to government actions linked to the fight against hunger as one of its many legal and constitutional responsibilities to monitor and control programs and activities carried out by branches of the Federal Government.

Court of Audit President Receives Japanese Board of Audit Delegation

Justice Valmir Campelo, president of the Brazilian Court of Audit, received the visit of a delegation from the Japanese Board of Audit that was in Brazil to audit the Japanese embassy and consulates and verify the proper use of resources the Japanese government donated for technical cooperation projects with the Brazilian federal government, states, and municipalities.

During the meeting, the Japanese delegation and the TCU were able to share experiences relating to a common challenge in both countries—the process of inspecting public companies undergoing privatization.

Court of Audit Recommendation to the Command of the Navy

In response to a request to verify irregularities during the Navy Health Division's bidding to acquire medical equipment, the TCU has determined that the Command of the Navy/ Ministry of Defense must not permit Brazilian firms to be excluded from international bidding performed with resources proceeding from external credit transactions originating in (1) an official agency of foreign cooperation, (2) a multilateral financial institution in which Brazil takes part, or (3) a foreign financial institution. Such a prohibition is not in accordance with the Law of Bidding and Contracts.

For additional information, contact: Tribunal de Contas de União, Sector de Administracão Federal Sul-Lote 01, CEP-70042-900 Brasilia, D.F., Brazil; fax: ++55 (61) 316-7522; email: arint@tcu.gov.br; Web page: www.tcu.gov.br.

European Union

Implementation of Food Security Policy in Developing Countries

At the World Food Summit in Rome in 1996, heads of state and government and the European Commission committed themselves to reducing the number of undernourished people from 800 million to 400 million by 2015 and to move away from food aid towards more long-term development in order to improve the food security situation. Around the same time, a Council Regulation was adopted aimed at enhancing food security and reducing the recipient countries' dependence on food aid.

The European Court of Audit reviewed the implementation of this food security policy for the period 1997-2001. The Court found that in a number of recipient countries, food security strategies were not integrated in coherent national development strategies and that food security programs were executed as development programs separate from mainstream programs. The Court also found that reliable baseline information on the situation of food security was not available and that the statistics produced by national services were mostly inadequate. Also, the identification of projects was unstructured in many countries, with no formal selection procedures based on clear priorities and criteria. The local population was rarely involved in proposing and selecting projects, and few structures existed to support local communities in managing projects. Most central governments had delegated the management of food security programs to para-statal bodies, which hindered the integration of development actions in sustainable structures.

The Court's recommendations included the following:

- The concept of food security should be integrated in the Commission's overall development policy, and single overall strategies and programs should be developed for and by the recipient countries.
- The Commission should consider supporting developing countries in the production of reliable information on socio-economic household situations and the development of indicators on food security with other donors.
- The Commission should continue to focus its efforts on capacity building and institutional support to beneficiary countries' central and local services.

For further information, please contact the External Relations Department of the European Court of Auditors, tel.: +352-021-36 31 03 (GSM), +352-4398-45410, fax: +352-4398-46430, e-mail: euraud@eca.eu.int; or Web site: www.eca.eu.int.

Hong Kong

Audit Report Issued

On October 30, 2002, the Director of Audit submitted his Report No. 39, which includes the results of value-for-money audits completed from March through September 2002, to the President of the Legislative Council. The report contains 11 subjects, including (1) protection of revenue from dutiable commodities, (2) a special finance scheme for small and medium enterprises, (3) management of municipal solid waste, (4) planning and provision of primary school places, and (5) administration of primary schools. The report has identified some US$270 million of savings and benefits for the Government of the Hong Kong Special Administrative Region.

The findings in the report have prompted the government to take improvement measures. For example, the audit on the planning and provision of primary school places revealed that by 2010 there would be an excess of primary school places and a serious mismatch between demand and supply. In response, the government agreed to monitor the provision of primary school places by reviewing the school building program and improving the use of existing places.

For more information about the report, please visit the Audit Commission's Internet home page at http://www.info.gov.hk/aud/, or contact: Director of Audit, Audit Commission, 26/F, Immigration Tower, 7 Gloucester Road, Wanchai, Hong Kong, China; fax: (852) 2824 2087; email: enquiry@aud.gov.hk.

Hungary

State Audit Office's Activities and 2002 Summary Report

According to the Constitution of Hungary, the State Audit Office (SAO) is the Parliament's financial-economic auditing organization. Its audits cover the entire state budget, the property of the state, financial management of certain organizations outside the state budget, and the operation and financial management of institutions that are accountable to the Parliament (including the Hungarian National Bank). SAO audits also determine the legitimacy of political parties' financial management. Beyond forming an opinion on the use and management of the public finances and of public property, the SAO evaluates the economy, effectiveness, and efficiency of the allocated resources through an increasing number of performance audits.

The SAO performs its activities based on an annual audit plan. Parliamentary commissions discuss most of the 40 to 50 reports the SAO prepares annually. During plenary sessions, the commissions discuss the audit reports on the annual budget, which include proposals on the budget and its execution, and on the operation of the state property agency and the national news agency. The SAO's summary report, which gives a comprehensive evaluation of trends in state budget operations and an account of the actions taken on recommendations and on the organization's operations, is also discussed at these plenary sessions.

In the summary report for the year 2002, the SAO found that the central and local government levels, operations and financial management are basically in order. Nevertheless, for the sake of the balanced operation of the large service systems (public health, social sphere, and pensions), which are significant to the proper functioning of the society and the economy, the SAO advised the government to accelerate the activities that provide the foundation for reform.

The summary report SAO places special emphasis on its progress—in accordance with the parliamentary resolutions—in performing audits using a financial audit methodology aimed at ensuring the reliability of the state budget execution and more comprehensive accountability and transparency, while contributing to the modernization of a state budget adapted to EU requirements.

The annual summary report also provides insight on how the SAO supports the initiatives emerging in organized form that are designed to reveal the causes, background, and relationship of corruption and high-risk areas and to reduce the sources of losses that pose a risk to the economy.

The year 2000 summary report also gives an overview of internal quality assurance and methodology development activities and international relations and evaluates contributions to improvements to the Hungarian financial audit system in adapting to the European Union's (EU) requirements.

The report also highlights the SAO's participation in professional life. By playing a leading role in cooperating with universities and colleges to prepare the next generation of economic professions, the SAO helps to prepare Hungary for the challenges of the new millennium.

For additional information, contact: Allami Szamvevoszek State Audit Office Staatsrechnungshof, H 1364 Budapest 4, Hungary; fax: ++36 (1) 484-9201, 338-4710; e-mail: kovacsa@asz.hu.

Malta

2001 Audit Report Issued

During 2002, Malta's National Audit Office carried out financial and compliance audits on matters relating to the financial year ending December 31, 2001. The audit opinion, findings, and concerns are included in its 2001 audit report.

For the ministerial and departmental sections, the office adopted an improved reporting structure in an attempt to make the report more user friendly. Each section now includes background, which gives a brief description of the area under review, classifies the issues as key, control, or compliance. The report also includes the recommendations made to each entity to improve its internal control system and the comments of management on the actions they plan to take.

The financial report section contains the National Audit Office's comments on the consolidated fund statement, loans, investments, public debt, advances and letters of comfort, and bank guarantees. Although the Public Account held at the Central Bank of Malta has not been reconciled since June 1992, the Bank Reconciliation system went

"live" on the October 14, 2002, with the opening balance of the public account as shown by the Central Bank of Malta.

Significant improvements could be achieved in arrears of revenue (which approached US$900 million as of December 31, 2001) an area in which inefficient procedures for the collection of debt and weak enforcement procedures were identified. A number of departments did not submit their returns, and data submitted by the Social Security Department was found to be unreliable.

The office is also concerned about widespread noncompliance with financial rules and regulations. Examples of specific areas of concern included the following:

- double payments as a result of weak internal controls;
- revenues not being receipted and funds not being deposited, and delays in remitting funds to the Public Account;
- noncompliance with inventory regulations, including the absence of up-to-date inventory record; and
- underutilization of computerized facilities.

For further information, contact: National Audit Office, Floriana CMR 02, Malta; fax: ++356 21 22 07 08; e-mail: joseph.g.galea@gov.mt; Web site: http://www.nao.gov.mt.

Mongolia

New Law on State Audit

On January 3, 2003, the State Great Hural (the Parliament) of Mongolia approved the Law on State Audit, which was based upon the Lima Declaration and the Generic Model Laws UNDP/PACT developed for SAIs. The enactment of this law brought about major changes in Mongolian government auditing system.

The former State Audit and Inspection Committee (SAIC) has been replaced by the newly established National Audit Office (MNAO), which will be the supreme audit institution of Mongolia. In addition, provincial Audit and Inspection Committees will be replaced by provincial Audit Offices headed by provincial Auditors General. While the former SAIC used the board model, the current MNAO will be structured on the auditor general model (also known as the Westminster or hierarchical model).

According to the new law, the MNAO's mandate is to conduct performance and financial statement audits for public agencies and government programs.

Auditor General Appointed

On January 10, 2003, the Mongolian Parliament nominated Mr. Javzmaa Lkhamsuren as Auditor General of Mongolia for a 6 year term of office.

Mr. Javzmaa Lkhamsuren

Before this appointment, Mr. Javzmaa had served as the Chairman of the State Audit and Inspection Committee of Mongolia since 1995. Throughout his career in public service, Mr. Javzmaa has had long and varied experience in provincial and local government activities. He holds a masters degree in management.

For additional information, contact: Mongolian National Audit Office, Government Building No. 4, Baga Toiruu-6, Ulaanbaatar-45, Mongolia; fax: ++976-1-323266.

St. Kitts and Nevis

2001 Annual Report Issued

In his 2001 annual report to Parliament, St. Kitts' Director of Audit stated that although expenditure control showed signs of improvement, the results indicated that a great deal still needs to be done. He pointed out that despite Parliament's approval of the budget, its implementation ought to be guided by realities of the day:

"The various Ministries pursue their objectives as laid out in the detailed Programs of the Estimates as approved by Parliament. One point of view that I have heard expressed quite recently is that as the Budget is done on a Program basis, provided that expenditure is incurred on that basis, there should be no concern for savings, as all allocations should be spent in full and at the discretion of the Ministries.

Unfortunately, the word 'efficiency' and its meaning seldom features in the line of reasoning. Furthermore, managers with such concepts make expenditure control even more onerous for the Ministry of Finance."

The result on the recurrent account was a deficit of $55.2 million. Because of the high level of capital revenue realized, the outturn on the capital account was an impressive surplus of $44.96 million. The net result of the 2001 financial operations was a modest deficient of $10.22 million.

The report also drew attention to the increasing cost of debt servicing (30.22 percent of recurrent revenue in 2001.) Nevertheless, St. Kitts is still current and timely with its payments. All amortization schedules were current and the government was not in any

significant arrears with any of its loan obligations as of year-end.

For further information, contact: National Audit Office, Basseterre, St. Kitts and Nevis; fax: ++1(869) 466-8510; e-mail: auditoffskn@caribsurf.com

United States

No Appeal in Suit over Access to White House Energy Records

Comptroller General David M. Walker, head of the U.S. General Accounting Office (GAO) has decided not to appeal Judge John D. Bates' decision that the Comptroller General lacked standing to file a lawsuit seeking access to the records of the National Energy Policy Development Group (NEPDG).

"After thorough review and analysis of the district court's decision in Walker v. Cheney, as well as extensive outreach with congressional leadership and others concerning various policy matters and the potential ramifications of the court's decision, GAO has decided not to appeal the decision," GAO said in a February 7 statement provided to the press and posted on GAO's Web site (http://www.gao.gov/press/w020703.pdf).

The suit arose from GAO's efforts to obtain information about who the NEPDG—which is chaired by the Vice President—and its staff met with in formulating the president's national policy. GAO attempted to obtain this information in response to requests from two House ranking minority members and four Senate committee and subcommittee chairs. In February 2002, after months of negotiation and compromise on GAO's part failed to resolve the issue, GAO filed suit in the U.S. District Court for the District of Columbia. Oral arguments in the case were heard September 27, 2002; Judge Bates issued his decision December 9, 2002.

Judge Bates' decision focused only on the Comptroller General's "standing" to file suit; citing the historical nature of the issue at hand—whether the courts should intervene in a dispute between the legislative and executive branches—the judge ruled that the issue involved and the nature of congressional interest were not sufficient to have the court decide the dispute.

"Despite GAO's conviction that the district court's decision was incorrect, further pursuit of the NEPDG information would require investment of significant time and resources over several years. At the same time, several private litigants are attempting to obtain much of the same information GAO has been seeking, and this information will be made available to GAO if they are successful in their cases."

"Importantly," the statement continues, "because the district court's decision did not address the merits, it has no effect on GAO's statutory audit rights or the obligation of agencies to provide GAO with information. In addition, the court's decision is confined to the unique circumstances posed by this particular case and does not preclude GAO from filing suit on a different matter involving different facts and circumstances in the future."

Walker said his outreach efforts to the U.S. Congress found a broad-based bipartisan consensus that GAO should have received the limited and nondeliberative NEPDG information it sought without having to resort to litigation. "While we have decided not to pursue this matter further in the courts, we hope that the administration will do the right thing and fulfill its obligations when it comes to disclosures to GAO, the Congress, and the public, not only in connection with this matter but all matters in the future. We hope that GAO is never again put in the position of having to resort to the courts to obtain information that Congress needs to perform its constitutional duties, but we will be prepared to do so in the future if necessary."

The Comptroller General noted that the decision not to appeal, like his original decision to file suit last year, was a difficult one subject to controversy. "In both cases, I did what I thought was the right thing to do based on all the facts and circumstances." He also noted that there was significant bipartisan support for his decision not to appeal.

Further information is available on the GAO Web site: www.gao.gov. ■

ANAO Better Practice Guides

by Gordon Carey, Senior Director, Research and Development Branch

The Australian National Audit Office (ANAO) produces better practice guides (BPGs) as part of its integrated audit approach, which includes providing information support services to audit clients.

BPGs aim to improve public administration by ensuring that better practices employed in some organizations are recognized and promulgated to the whole of the Australian Public Service. This can involve examining practices in the public and private sectors in Australia or overseas. From its knowledge and understanding of the public sector, the ANAO endeavors to identify, assess, and articulate good practice as well as areas where improvements are warranted.

Depending on the subject matter and nature of information collected during an audit, BPGs may be produced in conjunction with an audit. Alternatively, a BPG might be prepared as a result of a perceived need to provide guidance material in a particular area of public administration.

For a complete list of all BPGs published by the ANAO, from 1996 to date, go to the ANAO web site: http://www.anao.gov.au. These BPGs can be listed by date, title, or theme. A summary identifies the purpose of the BPG, and the guide can also be downloaded from the web site.

Some earlier BPGs that may be of interest include the following:

- Life Cycle Costing
- Some Better Practice Principles for Developing Policy Advice
- Rehabilitation: Managing Return to Work
- Internet Delivery Decisions
- *Planning for the Workforce of the Future*

In the coming months, the ANAO will update its 1999 BPG entitled *Corporate Governance in Commonwealth Authorities and Companies*.

Recently published BPGs of likely interest to other supreme audit institutions are outlined below.

Building Capability, A framework for managing learning and development in the APS (April 2003)

Efficient and effective achievement of government outcomes by Australian Public Service (APS) agencies depends on the capabilities of their people. Capability building, which is central to organizational performance, requires a systematic management approach to learning and development as an integral part of workforce planning.

Learning and development is a key management function for all APS agencies that requires the same rigor and attention as any other management task. Well managed, learning and development can deliver the right people with the right skills at the right time to enable agencies to deliver government objectives and outcomes into the future.

The ANAO performance audit report *Management of Learning and Development in the APS* (No. 64 2002-2002) and benchmarking study *Managing People for Business Outcomes* (No. 61 2001-2002) identified opportunities for improvement in the planning, integration, delivery, and evaluation of learning and development.

This guide, produced in collaboration between the ANAO and the Australian Public Service Commission, draws on the experiences of the ANAO audit of learning and development, as well as international and private sector trends. It is tailored specifically to the public sector through examples of APS agency better practice experience. The intention is to inform and influence key agency stakeholders as well as to encourage ongoing improvement by those with direct responsibility for learning and development.

This guide articulates the principles and characteristics of a framework for building capability. It provides advice on how to promote learning and development planning; identifies processes to position agencies to achieve good business outcomes; stresses the need for alignment and integration with other workforce activities (such as workforce planning and performance management) and shows the way forward to support a learning culture. It articulates governance considerations and appropriate reporting arrangements to fulfill Parliament's accountability expectations.

The framework for managing learning and development in the APS presented in this guide is based on the following principles:

- align learning with business,
- integrate learning with human resources and other business processes,
- create a learning culture,
- provide appropriate learning options,
- manage learning effectively,
- support application of skills in the workplace, and
- evaluate learning and development.

Internal Budgeting (February 2003)

This guide deals with the internal budget processes in organizations and the extent to which those processes contribute effectively to the organization's control environment and ability to meet its stated objectives. It has particularly close links with the *Building Better Financial Management Support* and *Building a Better Financial Management Framework* guides released in 1999.

Publications dealing with aspects of control structures in organizations include the following:

- *Contract Management*, February 2001
- *Business Continuity Management - Keeping the wheels in motion*, January 2000
- *Building Better Financial Management Support - Functions, systems and activities for producing financial information,* November 1999
- *Building a Better Financial Management Framework - Defining, presenting and using financial information*, November 1999
- *Security and Control for SAP R/3*, October 1998
- *Controlling Performance and Outcomes - Control Structures in the Commonwealth Public Sector*, December 1997

The ANAO has produced this guide following the conduct of a recent *Financial Control and Administration Audit* of internal budgeting processes. The audit identified a need for further guidance on the development of robust and businesslike internal budgeting practices to help managers operate more effectively in the accrual-based outcomes and outputs framework.[1]

Well developed and implemented budgeting processes are critical to providing a sound basis for controlling activity levels and for effectively monitoring and managing financial performance. Effective budgeting processes, in turn, can be a key driver in the successful delivery of an organization's outputs (services). This guide is designed to assist managers responsible for making decisions on the allocation, use and administration of resources. In particular, it outlines a series of better practice elements that, if adopted, will encourage more efficient and effective management of resources and improve the capacity of internal budgeting to support the achievement of organizational goals and objectives.

The framework has three broad components:

- integrating internal budgeting processes with strategic planning, including the setting of priorities, and supporting them with a robust control and financial management structure;
- putting efficient and effective internal budget development processes in place, including the use of appropriate technology to provide decision-support tools; and
- regularly analyzing performance against budgets, using consistent and timely flows of information and implementing auditable accountability measures.

This guide should serve as a useful tool for managers responsible for internal budget development. This should, in turn, result in wider and more informed use of better internal budgeting practices contributing to better results.

[1] Audit Report No. 52, 2001-2002 *Internal Budgeting*, Australian National Audit Office, May 2002.

Performance Information in Portfolio Budget Statements (Budget Estimates) (May 2002)

Performance information is a critical tool for public sector management and accountability. Since the ANAO [2] issued the Better Practice Guide *Performance Information Principles* in November 1996, the public sector has adopted a framework for outcomes and output. This has required changes to agencies' performance management regimes, particularly the development and reporting of performance information in Portfolio Budget Statements (PBS) and related Annual Reports.

A Parliamentary Committee, the Senate Finance and Public Administration Legislation Committee, has undertaken three reviews of performance information in PBS, which raised a number of concerns. In addition, the ANAO has undertaken an audit on the issue, the findings of which were provided in Audit Report Number 18, 2001-02, *Performance Information in Portfolio Budget Statements.* This audit examined performance information in the PBS in 10 Commonwealth agencies. This guide aims to address many of the issues highlighted by the Parliamentary Committee and the audit.

The examples and better practices included in this guide are drawn from the audit and a subsequent related workshop. They are aimed at helping practitioners develop and improve organizational performance information. The guide focuses on performance information in the PBS. However, the principles highlighted apply to all performance information, as PBS (accountability-related) performance information and general management performance information should be part of a fully integrated framework. The guide is intended to be used in conjunction with information provided by the Department of Finance and Administration on its website (http://www.finance.gov.au) in relation to the requirements for performance information in the PBS.

Reforms in the Australian Public Service (APS) over many years have emphasized the importance of a performance culture supported by clear lines of accountability. The performance of the APS, particularly its effectiveness, is now subject to increased levels of scrutiny. Performance information, assessment, and reporting are critical tools for monitoring and improving performance.

In the 1999-2000 budget, the APS moved from reporting performance on a program basis to an outcomes and outputs framework. Under the new arrangements, the focus is on improved accountability for performance. The foundation for agency accountability and transparency is performance information presented initially in agency Portfolio Budget Statements (PBS) with results being reported later in annual reports.

This guide addresses performance information under the following broad areas:

- performance information concepts–outcomes, output groups and outputs;
- performance information, including indicators, targets, cost, and data quality; and
- performance assessment and reporting–monitoring, annual reports, and presentation of performance information.

[2] Jointly issued with the then Department of Finance.

Administration of Grants (May 2002)

This Better Practice Guide has been prepared to provide practical assistance to those who may be involved with the planning, project selection, management, and review of grant programs within the Commonwealth. It also provides a useful basis for any future audits of grant programs. This edition of the Guide builds on previous editions issued in 1994 and 1997. The ANAO decided to update the Guide in the light of audits of grant programs since that time and to incorporate a number of fundamental changes that have occurred in the public sector environment. These changes particularly affect the accountability framework, performance management, and risk management of grant programs and funding agreements.

Among these changes are

- the introduction of the Financial Management and Accountability Act 1997 and associated legislation, which substantially changed the Commonwealth's accountability framework;
- the Public Service Act 1999 incorporating the Australian Public Service (APS) Values and Code of Conduct;
- the move toward more networked service delivery, which has resulted in a more collaborative approach in the delivery of grant programs;
- the introduction of a new tax system, including the introduction of a Goods and Services Tax; and
- greater use of "one stop" shops for service delivery and on-line applications to improve responsiveness.

In 2000–2001, direct Commonwealth expenditure on grants to the private sector, including overseas grants, was estimated to be $3.2 billion. Public sector managers have a strong interest in ensuring that grant programs are appropriately designed and well administered to achieve the objectives of government.

This guide is most relevant for those funding arrangements that are

- discretionary, such that a minister or grant-giving organization has discretion in determining whether or not a particular applicant receives funding and the conditions that are imposed (as opposed to nondiscretionary, where the program or legislation creates an entitlement);
- selected from competing proposals on merit, based on an assessment against pre-specified criteria;
- directed at achieving goals and objectives consistent with government policy; and
- designed for individuals and community groups that are, generally, in the not-for-profit sector (but profit-seeking organizations are not excluded).

Nevertheless, this guide contains administrative principles applicable to a wide spectrum of circumstances where the Commonwealth funds the activities of others, including payments to state, territory, or local governments.

This guide addresses grant administration under the following headings:

- planning for an effective grant program, including establishing the need for the program, appropriate strategies and controls, performance measures, and a planning checklist;
- selection of projects, including handling and appraising applications, and a selection checklist;
- management of funding agreements, including form of funding agreements, setting up monitoring arrangements, acquittal of grants, and a management checklist; and
- evaluation of the grant program, including managing the review/evaluation, carrying out a review or evaluation, and an evaluation checklist.

If you would like additional information, please contact the Publications Officer at webmaster@anao.gov.au or via fax on +61 2 6203 7777 or telephone on +61 2 6203 7505. ■

Accountability and Audit

by Mrs. Jocelyn Thompson, Auditor General of Trinidad and Tobago

Editor's note: The following article has been adapted from a paper presented by the Auditor General of Trinidad and Tobago at a Regional Public Expenditure Management Conference held in Port of Spain, Trinidad, in February 2003.

Accountability has been defined as an obligation to answer for a responsibility that has been conferred. It is often linked with the obligation of leaders, governments, and corporate managers to answer for their actions to those who selected, elected or appointed them.

In 1993, Trinidad and Tobago's then Minister of Finance addressed this issue at an Integrity Symposium:

"Public confidence in Government's integrity and accountability in public affairs is of paramount importance in a democracy. Legitimate government in the eyes of the public is Government that displays expertise, entrepreneurship and stewardship. . . If there is accountability in public affairs, the public's expectation that Government will operate with due regard for economy, efficiency and effectiveness can be realized. While integrity in public affairs is distinct from accountability, it can be said that if Government operates in an environment which demands accountability, there will be little room for integrity standards to slip."

This article will outline the cycle of accountability in Trinidad and Tobago, the contribution of the internal and external audit functions to this process, and the role of the Public Accounts Committee.

The Accountability Cycle in Trinidad and Tobago

In Trinidad and Tobago, the accountability cycle begins with the laying of the Annual Estimates of Revenue and Expenditure in Parliament. The Estimates detail the expected revenues and expenditures for all governmental activities.

Following this, the Minister of Finance presents the "Budget Speech" outlining the government's general financial plans for the following fiscal year— recurrent expenditures, development programs, etc. This is followed by the Budget Debate and the passing of the Appropriation Act, the Provisional Collection of Taxes Order, and the Finance Act. The Minister of Finance releases funds to Accounting Officers after the Auditor General grants credits on the Exchequer Account. These funds are to be spent, as voted by Parliament, for the "service" of Trinidad and Tobago. Accounting Officers must be guided by the Exchequer and Audit Act, the Financial Regulations, and periodic directives issued by the Treasury (Minister of Finance).

The Exchequer and Audit Act requires a number of accounts and statements to be submitted within 4 months after the end of each financial year (currently, January 31st). The Treasury must submit Treasury Statements, each Accounting Officer must submit an

Appropriation Account, each Receiver of Revenue must submit a Statement of Receipts and Disbursements, and each Administering Officer must submit Statements of the Funds administered. The Auditor General is then required to examine these accounts and statements and report to Parliament on its examination within 7 months of the end of the financial year (currently, on or before April 30).

After being laid in Parliament, the Report of the Auditor General and the attached Financial Statements are referred to the Public Accounts Committee for scrutiny and the examination of the stewardship of the Treasury, Accounting Officers, Receivers of Revenue, and Administering Officers. The Public Accounts Committee reports to Parliament on its examinations and recommendations. The resulting Treasury Minutes direct Accounting Officers of corrective action to be taken.

The Internal Audit Function

A system of internal control which includes an internal audit function plays a significant monitoring role in the accountability process. The Institute of Internal Auditors defines internal auditing as

"an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities."

Top management is responsible for ensuring that as far as possible, the internal audit function, while carried out by the organization's employees, is free from restrictions that could limit its scope. It is mandatory, therefore, that the internal auditor be responsible only to senior management to preserve the independence of the internal auditor from influences by the personnel subject to internal audit.

Furthermore, internal auditing must not be confined to financial transactions. In the final analysis, it assists the organization through its fact-finding, judgmental evaluation followed by recommendations, and follow-up action. The internal auditor can also assist line management by ensuring that adequate financial and management controls have been implemented and are operating effectively or by identifying weaknesses in the system and recommended remedial actions, where necessary.

In Trinidad and Tobago, the Financial Regulations of the Exchequer and Audit Act provide for the internal audit function within each accounting unit of the public service. In its annual examination of the Public Accounts, the Auditor General of Trinidad and Tobago has found that the internal audit function in the public service has been misunderstood, misused, abused or simply ignored over the years. Serious weaknesses have been reported since the 1980s. To date, however, the internal audit function has not shown improvement as a significant management tool to any appreciable extent. Currently, the Ministry of Finance is undertaking reform of the Financial Management System of the Public Service in Trinidad and Tobago. It is hoped that this effort will help establish the internal audit function in its correct place and provide adequate resources, including suitably trained and qualified staff.

External Audit

The external auditor helps an entity achieve its objectives by bringing an independent and objective view. The external auditor contributes directly through its audits—whether

compliance, financial statement, value-for-money, comprehensive or performance audits—and indirectly by providing useful information to management, the board of directors, and shareholders/stakeholders.

In Trinidad and Tobago, the appointed auditor of the public accounts is the Auditor General, whose office was created in accordance with section ll6(l) of the Constitution. The Auditor General is required to examine and report in accordance with the Constitution and the Exchequer and Audit Act. In addition, the enabling acts of certain statutory bodies may make provision for audits by the Auditor General. Further, the Exchequer and Audit Act provides for the Auditor General to audit statutory bodies if Parliament so directs.

It is a fundamental requirement that the Auditor General should be, and be seen to be, independent. The Constitution of Trinidad and Tobago states, "In the exercise of his functions under this Constitution the Auditor General shall not be subject to the direction or control of any other person or authority." Without such independence, the authority of the Auditor General's opinion and its value to those who seek to rely upon it would be eroded.

The Public Accounts Committee

Historically, the Public Accounts Committee of the Parliament has been one of the main links in the chain of public accountability (the others being Parliament itself, the Treasury, and the Office of Auditor General). In Trinidad and Tobago, the need for a Public Accounts Committee was recognized by the Secretary of State for the Colonies in 1957 when commenting on financial devolution in the West Indies. He stated that "such a Committee has a vital part to play in safeguarding the interests of the legislature in the proper expenditure of public funds." In 1960, the Speaker of the Legislative Council of Trinidad and Tobago appointed the first Public Accounts Committee. The present Constitution of Trinidad and Tobago makes provision for a Public Accounts Committee and a Public Accounts (Enterprises) Committee. Accounting officers and other responsible parties must explain their stewardship and actions on issues raised in the Auditor General's reports before these Committees.

In accordance with the Constitution of the Republic of Trinidad and Tobago, the Auditor General reports to the Speaker of the House of Representatives, the President of the Senate, and the Minister of Finance. The Speaker is required to lay the Report in the House of Representatives and the President of the Senate is required to lay the Report in the Senate, thus making the documents public.

Conclusion

In conclusion, let me emphasize that accountability is key to good governance. If leaders in public life operate in an environment which demands accountability, there will be little room for integrity standards to slip. Checks and balances provided by legislation, systems, procedures, and methodologies will ensure accountability and allow governments to operate with due regard to economy, efficiency, and effectiveness. What is vital and at times lacking is the standard of conduct in public life that will allow individuals at all levels to operate within established parameters of accountability.

An obligation to answer for a responsibility conferred means in common parlance that "Accountability is Answerability." ■

Audit Profile: Office of the Comptroller and Auditor-General of Bangladesh

by Mohammad Shamsuzzaman, Deputy Director, Performance Audit Directorate, and Niaz Rahman, Assistant Comptroller and Auditor General

Bangladesh—a rapidly developing nation of 123 million people—has made significant progress since gaining its independence in 1971. The country has a 1000-year-old history, culture, and literature. Its economy depends largely on agriculture and the export of ready-made garments, raw jute, jute manufactures, hides and skins, leather products, tea, newsprint, and seafood.

History

The Office of the Comptroller and Auditor-General (CAG), the supreme audit institution (SAI) of Bangladesh, was created in 1973 in accordance with the Republic's constitution. The CAG has been responsible for both the auditing and accounting of public receipts and expenditures. However, the office has been relieved from the accounts-keeping function based on an amendment to the act that was made in 1983.

The basic structure of the SAI was inherited from the British system following the Exchequer and Audit Department Act, 1866, of the United Kingdom. The office of the Auditor-General was created under the Government of India Act, 1935.

Government

The government is divided into three branches: the executive (the President is the head of state and the Prime Minister is the head of government), the legislature (the Parliament or Jatiya Sangshad) and the judiciary (the Supreme Court and the subordinate courts). The Office of the CAG is administratively under the executive branch but is functionally independent.

Legal Authority

The constitution of Bangladesh empowers the CAG to audit and report on the Public Accounts of the Republic to the legislature through the President. The Comptroller and Auditor-General (Additional Functions) Act of 1974 gave the CAG additional responsibilities, including keeping the government accounts, preparing appropriation and finance accounts, auditing the accounts of statutory public and local authorities, and preparing commercial accounts and general financial statements. In 1975, an amendment to the act gave the CAG further responsibility to audit public enterprises that have at least a 50 percent share or interest to the government.

Independence

The constitution allows the CAG to function with complete independence, stating that the "Comptroller and Auditor-General, in the exercise of his functions, shall not be subject to the direction or control of any other person or authority." SAI auditors have full, unrestricted access to all records and documents of any government department or government-owned entities. The President of the republic appoints the CAG to serve until the age of 60. Only the President, based on the recommendation of a Supreme Judiciary Council, can remove the CAG.

Organization of the SAI

The SAI of Bangladesh is functionally organized into 10 audit directorates, each headed by a Director General. The audit directorate is responsible for conducting audits of different agencies and departments of the government. All serious financial irregularities relating to different governmental agencies that the audits identify are reported on both a yearly and an issue basis and submitted to the Office of the CAG for approval. The Deputy Comptroller and Auditor-General (Accounts and Reports) is responsible for coordinating with the Directors General to (1) ensure timely generation of audit reports and (2) obtain the CAG's approval of those reports.

Currently, the audit staff totals 3,600. Auditors are recruited from various disciplines so that the staff will have complementary and multidisciplinary skills. All professional staff are recruited by an independent National Commission. Qualified staff of the SAI have academic and professional backgrounds in such fields as accounting, finance, economics, business administration, public administration, agriculture, engineering, and medicine.

Mission of the SAI

The mission of SAI is to conduct independent audit and evaluation of public sector operations to provide reliable and objective information and assurance to the Parliament. The SAI is committed to promoting accountability and transparency in government to achieve good governance, an issue of great concern to the government as well as the taxpayers. SAI products attempt to offer insight into the government's functioning.

Reporting and Follow-up

The SAI of Bangladesh publishes a number of reports each year that reflect the results of its annual audit operations. The reports focus on compliance and financial audits of a very large number of government, local government, and public enterprises. However, a modest beginning has been made to adopt value-for-money audits in areas of public interest with the submission of four audit reports.

The CAG submits ministrywide annual audit reports to the President of the Republic who, in accordance with constitutional requirements, causes them to be laid before the Parliament. Annual audit reports up to the year 2000-2001, including 75 issue-based special audit reports, have already been submitted to the Parliament. The CAG also submits reports on the budget performance of the national accounts and the annual finance accounts regarding the total financial activities of the government. The Public Accounts Committee, a select body of Parliament, discusses these reports and then

provides necessary directives and recommendations to the executive branch. Other audit findings not included in the audit reports are discussed bilaterally with respective executive agencies in order to settle them.

Professional Development

The Office of the CAG is responsive to the vital need for human resource development in order to maintain high professional standards. Because the SAI is committed to both the professional development of its staff and continual improvement in audit quality, it is actively pursuing ongoing audit reforms. These reforms were implemented through capacity-building projects under the technical assistance of the United Nations Development Program and the Department for International Development, United Kingdom. Under these capacity-building programs, various institutional developments—including computerization, updating audit code, preparing audit standards and manuals, and developing audit methodology and intensive foreign training—were provided.

International Liaison

The office has maintained liaison with various international audit organizations, such as INTOSAI, the Asian Organization of Supreme Audit Institutions (ASOSAI), and various SAIs of other countries. Such involvement has helped the office improve its performance and results. Bangladesh became a member of INTOSAI in May 1973.

The Office of the CAG was elected to the Board of Governors at the Triennial Assembly of ASOSAI held in October 2000. In recognition to its commitment and contribution, the Office of the CAG has been included in the following standing committees of INTOSAI:

- Internal Control Standards Committee,
- Working Group on Environmental Auditing, and
- Working Group on Audit of Privatization.

Future Challenges and Prospects

At the beginning of the 21st century, the office is preparing to meet the challenges of the new millennium. The office discharges oversight as a watchdog, providing assurance to the Parliament and the government of the economy, efficiency, and effectiveness of government business. The office tries to be professional, objective, fair, honest, and ready to face the following challenges:

- Completing separation of auditing and accounting functions to enhance the credibility and quality of the audits.
- Developing performance audits—beginning with those on issues of public interest—to enhance the financial accountability process in the country.
- Ensuring high-quality financial and compliance audit, with the quality of the audit meeting changing needs and demands, and introducing modern audit standards and audit methodology to ensure timely, up-to-date, high-quality products.

- Reforming audit and undertaking improvement of Audit Standards, Codes, and Manuals.
- Accelerating the pace of computerization and computer networking, including initiatives to develop a Management Information System for monitoring the audit information.
- Undertaking an elaborate training initiative to teach staff the latest auditing concepts and techniques.

For additional information, please contact the Office of the Comptroller and Auditor-General, Audit Bhaban, 189, Shaheed Syed Nazrul Islam Sarani, Kakrail, Dhaka-1000, Bangladesh; fax: ++880-2-8312690; e-mail: saibd@citechco.net; Web site: http:www.cagbd.org; telephone: ++880-2-8321447. ■

Reports In Print

The Department of the Auditor General of Pakistan has published its latest edition of the journal *PERFORMIT*, which is devoted to the advancement of financial and performance audit in the public sector. The current edition covers such topics as auditing educational institutions, internal control, and public sector nonfinancial performance reporting. For a copy of *PERFORMIT*, contact the Director General, Performance Audit Wing, Department of the Auditor General of Pakistan, PT&T Audit Building, Mauj-e-Darya Road, Lahore-54550, Pakistan; tel: ++001-92-42-9212044; fax: ++001-92-42-9212043 or 92-42-9212046.

The Performance Audit Department of the Swedish National Audit Office (Riksrevisionsverket, RRV) has published its *Performance Audits Report 2000*. The work of the performance audit department is aimed at investigating and promoting efficiency and effectiveness in government activities. The RRV decides independently which agencies and organizations are to be examined in the course of its performance audits and what issues will be investigated, as well as the methods to be used and recommendations to be proposed. The current report reviews the following ministries—Justice, Foreign Affairs, Defense, Health and Social Affairs, Finance, Education and Science, Agriculture, Environment, and the Ministry of Industry, Employment and Communications. The RRV is the supreme audit institution of Sweden and carries out its audits independently. It audits the management and finances of central government agencies and the outcomes of political decisions in accordance with generally accepted auditing standards. As a result of its audits, the RRV provides reliable information on accounting and financial management in the central government administration. For more about the RRV or to obtain copies of its publications, contact the RRV Publication Service, P.O. Box 45070, S-104 30 Stockholm, Sweden; fax: ++001-46-8-690-41-01.

According to *GAAP Convergence 2002*, a study recently released by the world's six largest accountancy firms, an overwhelming majority of the countries surveyed —over 90 percent of 59 countries—intend to converge with International Financial Reporting Standards (IFRS). This is the third in a series of studies conducted by the large accounting firms aimed at encouraging global convergence of accounting standards. Investors are increasingly making capital allocation decisions based on global opportunities. Globalization of capital markets has helped fuel the demand for a common worldwide accounting framework. The use of different national accounting standards makes it more difficult and costly for an investor to compare opportunities and make informed financial decisions. This recent survey answers the following questions: (1) Do countries have a plan to adopt IFRS or converge their national accounting standards with IFRS? (2) What is the nature of the convergence plan? (3) What difficulties have been faced to date and what are the obstacles to further convergence? The survey and results can be obtain through the website of the International Forum on Accountancy and Development at www.ifad.net.

In December 2002, the U.S. General Accounting Office in Washington, D.C., convened a Governance and Accountability Forum to discuss the challenges facing regulators, the accounting profession, boards of directors, and managers of public companies in improving public confidence in corporate governance and accountability systems. Recent major accountability breakdowns, exacerbated in the last 2 years by the unprecedented breakdowns and bankruptcy of Enron and WorldCom, have contributed to the decline in investor confidence in U.S. capital markets. The Governance and Accountability Forum focused on four interrelated areas: corporate governance, the financial reporting model, the accounting profession, and regulation and enforcement. These have surfaced as critical areas to be strengthened and will involve the public, private, and not-for-profit sectors. The report *GAO Forum on Governance and Accountability: Challenges to Restore Public Confidence in U.S. Corporate Governance and Accountability Systems* (GAO-03-419SP) is available on the U.S. General Accounting Office website at: www.gao.gov. You can also order copies of GAO reports and testimony by e-mail (orders@gao.gov), fax (202-512-4739), or Internet (http://www.gao.gov/cgi-bin/ordtab.pl). ■

INSIDE INTOSAI

INTOSAI Auditing Standards Committee

The INTOSAI Auditing Standards Committee (ASC) Working Group on Financial Audit Guidelines held a meeting in Washington, D.C., on April 3-4, 2003. All SAIs in the working group—Austria, Canada, Cameroon, Namibia, Norway, the U.K., the U.S., and Sweden (Chair)—attended the meeting and contributed to interesting and fruitful discussions. Observers from the SAI of Japan, the International Federation of Accountants (IFAC), and the World Bank also attended the meeting.

The discussions focused on practical ways to develop the ASC's cooperative working relationship with IFAC. Under this arrangement, the ASC will provide the public sector perspective on the revision and development of IFAC's International Standards on Auditing (ISAs). In addition, through the working group, the ASC will write practice notes with advice and instructions for public sector auditors on how to apply each ISA in a public sector context.

IFAC's International Assurance and Audit Standards Board (IAASB) and the ASC will draft a memorandum of understanding to be approved by the respective bodies by October 2003.

The ASC Working Group has already started to comment on draft ISAs and will continue to do so. In addition, audit experts from the INTOSAI community are expected to participate in the work of IAASB Task Forces working on the revision of ISAs starting later this year.

In May 2003, the ASC Working Group will invite all INTOSAI members to nominate experts to the Reference Panel. The experts who are selected will work with the IAASB Task Forces and on other related tasks. In order to ensure a truly global perspective, the Working Group hopes to receive the contributions of SAIs from around the world and from different auditing systems.

Auditing Standards Committee Members in Washington

Updating Guidelines on Internal Control Standards

To carry out recommendations made at the 17th INCOSAI in Seoul, the Internal Control Standards Committee is currently updating the guidelines on internal control standards. On January 22 and 23, 2003, a task force met at the headquarters of the Belgian Court of Audit in Brussels to begin coordinating the project. Delegates from the SAIs of Belgium (chair), Hungary, Lithuania, the Netherlands, Romania, the United Kingdom, and the United States attended the meeting. The delegates reached an agreement about a framework document incorporating the COSO model and the current guidelines. The SAI of Bolivia, which could not participate in the meeting, submitted its comments in writing.

During the next phase of the update, the framework document will be supplemented with three topics. The United Kingdom's National Audit Office will develop the proposal for risk management. The U.S. General Accounting Office will develop the proposal for the use of information technology. The Dutch "Algemene Rekenkamer" will develop the proposal for ethical values. Once these proposals are developed, they will be integrated into the framework document integration into the framework document. The task force hopes to complete the process by the autumn of 2003. By early 2004, the full Internal Control Standards Committee is expected to endorse the updated guidelines.

For additional information, please contact the Belgian Chair of the Internal Control standards Committee at internalcontrol@ccrek.be ■

Web Page Launched for 18th INCOSAI

The Hungarian State Audit Office, host of the 18th INCOSAI in October 2004, has launched a Web site with useful information about the Congress as well as the 51st Governing Board Meeting and 50th Anniversary of INTOSAI that will be celebrated in Budapest in October 2003. This Web page can be found at www.incosai2004.hu. It contains information about the program, technical materials, registration, social events, venue, and hotels as well as information about Hungary, Budapest, and the State Audit Office.

The contents of the web site will be updated regularly to include additional information in Hungarian and the four official languages of INTOSAI.

For additional information, contact: Congress Secretariat, XVIII INCOSAI 2004 Budapest, Pf. 54, H-1364 Budapest 4; tel: +36 1 484 9183, +36 1 484 9184; fax: +36 1 484 9294, +36 1 484 9295;. e-mail: incosai2004@asz.hu.

INTOSAI IDI DEVELOPMENT INITIATIVE

IDI Update

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

ARABOSAI Enhances Its Pool of Training Specialists

ARABOSAI has had a pool of regional trainers since the first round of the Long Term Regional Training Program (LTRTP) was completed in 1999. This pool is now being supplemented by a second delivery of the LTRTP. A combined workshop incorporating course design and development and instructional techniques is taking place in Rabat, Morocco, between February and April 2003. As an indication of the self-sufficiency that the LTRTP encourages, the instructors of the workshop in Rabat were all participants in the first round of the regional LTRTP.

SPASAI Performance Audit Workshop

A 5-week Performance Audit Workshop took place in November-December 2002 in Samoa for auditors from the region. It was specifically aimed at capacity building, with the goal being that participants would return to their organizations and act as internal supervisors, mentors, and trainers as performance auditing is introduced or enhanced in SPASAI audit offices.

Second Regional Audit Workshop in EUROSAI

Following on from the first Regional Audit Workshop in Estonia last year, IDI Training Specialists again delivered the Financial Audit and Fraud Awareness modules developed during the first phase of the LTRTP in EUROSAI. Thirty auditors from European Union candidate countries attended the workshop in Nicosia, Cyprus, in February 2003.

From left to right, instructors for EUROSAI session included: Tõnis Saar (Estonia), Zoltan Giday (Hungary), Goranka Kiralj (Slovenia), Chrysostomos Nicolaou (Cyprus), Louiza Avraamides (Cyprus), Ina Balcevica (Latvia) and Zbyslaw Dobrowolski (Poland)

Strategic Planning in Anglophone Africa

IDI will participate in the AFROSAI-E Strategic Planning Workshop in South Africa in March 2003. This subregion has a mature and well-functioning training environment based on cooperative partnerships with the SAIs of The Netherlands and Sweden. IDI will

continue to work with the regional Secretariat in South Africa and is helping to fund a Regional Symposium in June 2003.

Performance Audit and Public Debt Training in OLACEFS

In February 2003, Panama hosted a 2-week performance audit course for 26 auditors from 8 OLACEFS SAIs in the Central American region as part of the partnership program between OLACEFS, the U.S. General Accounting Office, IDI, and the Inter-American Development Bank. Designed and delivered by OLACEFS Training Specialists, it followed a similar course for auditors from South America last year.

At the end of April 2003, a 5-week public debt train-the-trainers course will take place in Mexico City, Mexico. This will be the first fruit of a long-running cooperative liaison with the INTOSAI Public Debt Committee. Specific SAIs have been invited to send participants to the workshop, which will be used as the springboard to launch national training programs in this important subject. Further progress on public debt training will be noted in future editions of IDI Update.

CAROSAI Long Term Regional Training Program

Twenty-two auditors from 13 CAROSAI member countries will take part in the Instructional Techniques Workshop (ITW) in St. Lucia in May 2003. This follows on from their participation in the Course Design and Development Workshop (CDDW) at the end of last year. This IDI initiative will result in the establishment of the first pool of IDI Training Specialists in the region. The main output from the LTRTP will be an 8-day Financial Audit Workshop, which will be delivered in the region later in the year by selected Training Specialists.

Contacting IDI

If you would like to discuss any of the issues raised in this edition of IDI Update, please contact us by telephone at ++47 22 24 13 49 or by email at: idi@idi.no. ■

INTOSAI 2003-2004 Events

April

28-29 INTOSAI Strategic Planning Task Force Meeting
Washington, DC

28-May 30 OLACEFS Regional Audit Workshop on Public Debt
Mexico City, Mexico

May

7-16 IDI/INTOSAI Working Group on Environmental Auditing Seminar
Ottawa, Canada

12-30 CAROSAI/IDI Instructional Techniques Workshop
St. Lucia

26-28 3rd Training Event of EUROSAI
Prague, Czech Republic

June

9-10 INTOSAI Working Group on the Audit of Privatization Meeting
Prague, Czech Republic

23-24 Public Debt Committee Meeting
Mexico City, Mexico

23-28 8th INTOSAI Working Group on Environmental Auditing Meeting
Warsaw, Poland

July

August

11-14 VI CAROSAI Congress
Hamilton, Bermuda

September

10-12 12th Meeting of the INTOSAI Standing Committee on IT Audit
Oslo, Norway

XXVII EUROSAI Governing Board Meeting
Italy

October

13-16 51st INTOSAI Governing Board Meeting
Budapest, Hungary

November

December

January 2004

February

March

28-30 EUROSAI IT Working Group Meeting
Bern, Switzerland

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