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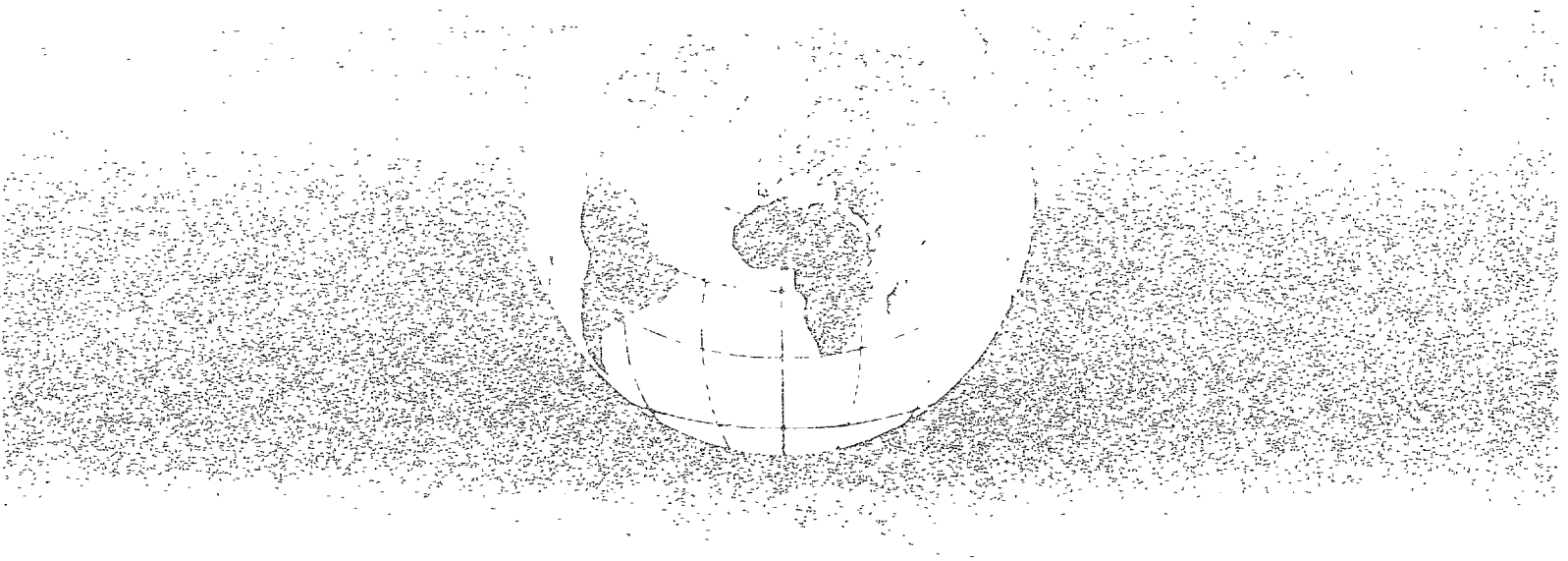

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Given the *Journal's* use as a teaching tool, articles most likely to be accepted are those which deal with pragmatic aspects of public sector auditing. These include case studies, ideas on new audit methodologies or details on audit training programs.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

The *Journal* is distributed to the heads of all Supreme Audit Institutions throughout the world who participate in the work of INTOSAI. Others may subscribe for US$5 per year. Checks and correspondence for all editions should be mailed to the *Journal's* administration office—P.O. Box 50009, Washington, D.C. 20004, U.S.A.

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A Welcomed Breakthrough in Public Accountability

By S. A. Goolsarran, Auditor General, Guyana

September 1, 1993 was a special day for the Office of the Auditor General (OAG) of Guyana. On that day—after a 10 year absence of government financial reporting—the OAG issued its report on Guyana's public accounts for 1992. For the first time since 1957, the annual audit had been completed within the statutory deadline. Our report noted many serious problems with the accounts and with governmental financial management generally. Nonetheless, this achievement of producing audited public accounts in a timely manner indeed brings back some semblance of effective accountability to Guyana.

Reaching this important milestone was a tremendous challenge that required intensive efforts not only internally at the OAG but externally with government as well. Throughout this effort, the INTOSAI network—and by that I mean the organization's internationally accepted audit and internal control standards, congress recommendations, training programs, cooperative projects with other supreme audit institutions, and other professional activities—was a valuable resource to us.

When I was appointed Auditor General in 1990, government faced enormous public accountability problems, including the absence of qualified personnel, outdated and cumbersome accounting and information systems, poor internal controls, and a culture of lack of accountability. We immediately began to revive the accountability process and to reintroduce financial control and sound management to Guyana's public service. We began working closely with government to identify key issues, and we took a number of specific actions.

First, the Ministry of Finance was apprised of the OAG's views of the state of affairs, and recommendations were made (e.g., closing all overdrawn bank accounts, setting up a task force to put together the backlogged accounts, etc.) At the same time, special reports identifying the most severe problems were issued to the National Assembly. We also helped reactivate the Public Accounts Committee, which had not reported publicly in Guyana for over 20 years.

Accounting officers were reminded of their statutory obligations, and all of them were given detailed reports of the major deficiencies in their ministries and departments. We also provided assistance to them in preparing and presenting their accounts. In addition, the direct intervention by the President was obtained to encourage accounting officers and the accountant general to honor their statutory responsibilities.

We were successful in having the Financial Administration and Audit Act amended to confirm the Auditor General as the auditor of all public corporations and other bodies where

S. A. Goolsarran

controlling interest is vested in the state. We also used the media to inform the public about these events and issues. And finally, the OAG vigorously pressed for appropriate disciplinary action against proven malefactors.

Concurrently, we focused efforts inward to see how our own organization could be improved to meet these challenges. During the last 3 years, the OAG itself had to be revitalized and improved, and a major improvement program was begun. In the human resources area, we introduced a 3-year internal training program for new entrants to the OAG, and we revised job descriptions and salary scales (due recognition was given to performance and higher levels of training). We also participated in INTOSAI training (IDI) as well as training programs offered by sister SAIs.

The OAG adopted INTOSAI's auditing standards, and drafted our own standards to complement them. We also introduced effective planning and review functions to our work, and set up procedures to contract out the audits of over 20 public corporations. In addition, we obtained UNDP/IDB funding for a program to develop and improve the efficiency of the OAG; this included the services of an advisor from the UK National Audit Office. Furthermore, we have drafted a new audit law making the OAG functionally and operationally fully independent.

Again, the professional support available through INTOSAI and its member SAIs continues to be a source of assistance to us in our effort.

If Guyana is to have a successful democratic government, effective systems of public and parliamentary accountability are vital. A strong audit office is therefore a very high priority. The OAG, like SAIs throughout the world, is committed to ensuring that this happens. ■

News in Brief

Canada

1993 Annual Report

This past January 17, Canada's 35th Parliament since Confederation in 1867 opened its doors for business. Two days later, on January 19, Auditor General Denis Desautels delivered his annual report for the fiscal year ended March 31, 1993, to the House of Commons for its consideration. The fact that 208 of the 295 members of parliament sitting in the House are new to the federal legislature added a new dimension of challenge to the tabling of the report.

The report, over 700 pages long, contains some 28 chapters setting out the results of a variety of comprehensive audits (20 chapters), studies (3 chapters) and other matters including follow-up on earlier audit work, other audit observations and the Auditor General's views on matters of special importance. Appendices contain the Office's enabling legislation and reports of the Standing Committee on Public Accounts tabled during the past year.

The 1993 report treats a number of themes of strong and current interest to all Canadians. They include what the Office refers to as "intractable" management issues that could constrain the effectiveness of a new Parliament; practical suggestions for improving the answerability of departments and agencies to Parliament; sustainable development of Canada's natural resources; and, chronic weaknesses in financial management. On the whole, these themes reflect the view that Canadians expect both public servants and parliamentarians to demonstrate sound and prudent management and stewardship of public resources, rather than developing new ways to spend borrowed money.

One longstanding intractable issue is the question of reconciling the need for budget secrecy with the need to involve Parliament in the budget process in a meaningful way. Chapter 5 of the report, "Information for Parliament—Understanding Deficits and Debt," discusses proposals to make the budget process more open and suggests five simple indicators of financial condition that, if reported by government in a consistent manner from one year to the next, would help Canadians and Parliamentarians develop an appreciation of the deficit problem.

Three chapters of the report are devoted to a discussion of program evaluation in the federal government. They deal with the need for an effective program evaluation function, the operation of program evaluation units in the federal government, and what needs to be done to improve the system.

Other chapters of interest include chapter 13 on Agri-Food Policy Review which provides a roadmap for a competitive, sustainable and productive agri-food sector; chapter 16 on the Department of Forestry which highlights the need for sustainable forest resource development as one vital element of Canada's economic well-being; chapters 20, 21 and part of chapter 3 which deal with suggested measures to prevent the corrosion of Canada's revenue base; and, chapter 15 on the Department of Fisheries and Oceans which, together with several others, shows that ministers and deputy ministers do not enjoy the level of financial support that chief executive officers of better-run private sector organizations have at their disposal.

Shortly after the delivery of the annual report to the House of Commons, Auditor General Desautels provided to the Chairman of each standing committee of the House a letter outlining the outstanding issues of concern to the Office in each government department and agency falling under the responsibility of the committee. The objective of this initiative was to help new committee members, most of them new to Parliament, become familiar quickly with the main issues of interest to the Office and on which they might want to consider taking some action. Judging by the number of requests for further information and for appearances before the committees of expert witnesses from the Office, this initiative has been a much-appreciated new service that the Office would consider doing again, especially with a change in government.

Copies of the report may be obtained by writing to: Office of the Auditor General of Canada, Attn: Mark Hill, 240 Sparks Street, Ottawa, Ontario, Canada K1A OG6.

Federal Republic of Germany

New SAI President Inaugurated

On January 21, 1994, Frankfurt's townhall saw the inauguration ceremony for Dr. Hedda Czasche-Meseke, the new President of the Federal Court of Audit (FCA), and the farewell ceremony held in honor of Dr. Heinz Gunter Zavelberg, her recently retired predecessor. The ceremony was attended by dignitaries such as the President of the German Federal Parliament, Dr. Rita Sussmuth, the Federal Minister of Finance, Dr. Theo Waigel and the Secretary General of INTOSAI, Dr. Franz Fiedler.

A particular issue highlighted by the speeches was the high reputation enjoyed by the FCA and its efforts to help increase public accountability and ensure that public funds are handled economically, efficiently, and effectively. Speakers paid tribute to the former FCA President's advisory role in the adjustment of administrative structures in the new federal states after German unification, his leading part in the development of audit institutions in eastern Europe, and his continuing efforts within INTOSAI to enhance audit cooperation worldwide.

The new President underlined in her speech the continuity of government auditing, i.e., the further development and adjustment of generally accepted methods and principles to changing requirements. She pointed out that major emphasis would have to be placed on the FCA's advisory activities vis-a-vis government and parliament, on auditing privatization issues, and on the support of the newly established audit systems in eastern Europe.

Copies of the speeches are available in German at no cost from the Bundesrechnungshof, Referat Pr/Int, 60284 Frankfurt, Germany.

Participants and instructors from the seminar in Zimbabwe sponsored by the German Foundation for International Development and hosted by the Office of the Comptroller and Auditor General of Zimbabwe pose for a group photograph.

Joint Training Programs in Africa and Latin America

Nineteen delegates from the SAIs and Finance Ministries of Ethiopia, Ghana, Kenya, Tanzania, Uganda and Zimbabwe met in Harare, Zimbabwe, December 8-15, 1993, to discuss the role of SAIs in the development process. The seminar was hosted jointly by the German Foundation for International Development and the Office of the Comptroller and Auditor General of Zimbabwe.

Lectures were given by two representatives of Germany's Federal Court of Audit and Finance Ministry. Special attention was given to such issues as the independence of SAIs, the advisory function of SAIs in the budget cycle, preparation of budget estimates, strategic financial planning, and modern audit techniques. Delegates exchanged views on the latest challenges they were facing given structural adjustment processes and financial reform initiatives under way in most of their countries.

Budgetary management and government auditing was the topic of a seminar that was held in Santa Fe de Bogota, Colombia, November 16-24, 1993. The seminar was organized jointly by the German Foundation for International Development, the Latin American and Caribbean Organization of Supreme Audit Institutions (OLACEFS) and the Colombian SAI. Two lecturers from Germany's Federal Court of Audit and Finance Ministry made presentations, followed by discussions with auditors from the Colombian SAI and 25 delegates from the SAIs and Finance Ministries of the following countries: Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Venezuela. Special emphasis was placed on the SAI's advisory function within the different phases of the budget cycle.

For additional information, contact: Bundesrechnungshof, Berliner Strasse 51, D-60311, Frankfurt, Germany.

Hong Kong

Public Accounts Committee Reports on Audit Report

The important role of a parliamentary public accounts committee (PAC) is illustrated in the 1994 report of the Hong Kong PAC on the Director of Audit's 1993 annual report. The committee is a standing committee of the Legislative Council which serves as a watchdog over public expenditures; it does this through its review and consideration of the Director of Audit's annual report.

Introductory remarks by the PAC chairman at the public hearing held in conjunction with their report provide insight into their role. "Our function," he said, "is not to punish but to explore with witnesses the background and facts surrounding the issues raised in the audit report." Our approach, as always, will be constructive rather than destructive. We will produce our own set of conclusions and recommendations for the more efficient use of public funds. These recommendations will be made public when we report back to the Legislative Council in about 3 month's time."

The 137 page report then goes on to include comments from the many government witnesses called in response to the audit report. The report also includes many appendices which further illustrate the work of the committee as it reviewed financial and performance audit findings and recommendations.

For more information about the report and the role of the PAC, contact the Director of Audit, Audit Department, 26th Fl., Immigration Tower, 7, Gloucester Road, Hong Kong.

Malawi

1992 Annual Report Issued

The Auditor General of Malawi has issued his 1992 Annual Report, which notes improvements in some aspects of government operations as well as some critical areas needing further effort. Of particular concern is the increasing volume of accounts and statements not received by the statutory deadline; the number of such instances has increased from 29 in 1991, to 54 in 1992. Those accounts received after the statutory deadline are listed in the report with the actual date received by the audit office.

The audit of public accounts was conducted in accordance with an annual work program that is revised periodically during the year in response to changing circumstances; the report covers both financial and "value-for-money" audits. As a general observation, the report cites improvements made by ministries and departments in replying to audit queries and recommendations, and some ministries failed to take any positive action on serious weaknesses in financial and accounting controls. The report notes that this poses significant hazards to the accountability of public funds and other assets. Government's controlling officers continue to be reminded about this problem in an effort to ensure proper accountability. The audit office has the authority to audit statutory bodies, and this work constitutes a significant part of the office's work program. The 1992 report notes with pleasure that there have been very positive reactions on the part of auditees to the audit findings and recommendations.

Human resource development in the audit office continues to be a major priority, and the report notes that 20 staff members were enrolled at various levels in the Malawi College of Accountancy, while other officers attended a variety of training programs in other countries. An in-house seminar on microcomputers was also held. The report does note, however, a continuing problem in retaining qualified staff; this is an ongoing concern.

In addition to the 112 page annual report, appropriate sections of the report were sent to responsible ministries and departments for their comments. For additional information, contact the Office of the Auditor General, P.O. Box 30045, Capital City, Lilongwe 3, Malawi.

Nigeria

New Auditor General

Mr. Josiah Chinwe Asugha was appointed Auditor General of Nigeria on January 1, 1994. Prior to his appointment, Mr. Asugha was the Director of Project Audits in the Office of the Auditor General (OAG). In that position, he planned and managed the audits of all projects executed by federal ministries and agencies to determine "value-for-money."

Josiah Chinwe Asugha

Mr. Asugha holds a B.S. degree in economics, and has attended many management courses and conferences locally and internationally. He attended the US General Accounting Office International Auditor Fellowship Program, after which he assumed responsibility for the OAG's training department. Mr. Asugha succeeds Mr A. I. J. Etuk who retired on October 20, 1993.

For additional information, contact the Office of the Auditor General, 5 Sir Moholaji Bank Anthony Street, Private Mail Bag 12503, Lagos, Nigeria.

Pakistan

Central Asian Course Offered

The Department of the Auditor General of Pakistan offered a 7-week training course on public financial management to 16 participants from the republics of Azerbaijan, Tadjikistan, Kazakstan and Kyrghyzstan. Course objectives were to share experience and knowledge in the field of public financial management, government accounting and auditing; to develop long-term professional relationships with the participants; and, to promote mutual understanding of the social and cultural conditions of the host and participating countries.

Course content included formal sessions on basic auditing concepts, international accounting standards, modern trends in auditing, commercial accounting and project management. In addition, the course design incorporated weekly field trips to public and private sector industrial projects, and mid-term study tours to various Audit and Accounts Offices and government organizations in Islamabad, Muzaffarabad and Peshawar.

For additional information about the program, contact: Director General,

Participants from Azerbaijan, Tadjikistan, Kazakstan and Kyrghyzstan join instructors and hosts from Pakistan's Audit Office for formal photograph during financial management seminar.

Audit and Accounts Training Institute, Department of the Auditor General of Pakistan, Postal Code 54550, Lahore, Pakistan.

St. Kitts and Nevis

1992 Annual Report Issued

A highlight of the 1992 Annual Report of the Director of Audit of St. Kitts and Nevis is the announcement of a number of changes to the general staffing arrangements for the audit office. Proposals strengthen the office and provide more operational flexibility gained Cabinet approval in 1992. As a result, there were 5 internal promotions in the office, and other aspects of the organizational and salary structure were improved.

Regarding the financial statement audits, the report cautions that audits were limited to federal government funds only. The accounts of the Nevis Island Administration and statutory bodies were not included in the accounts. However, the Finance Act now allows for the preparation of consolidated financial statements and, in the future, a more complete picture of all public sector operations will be provided.

For more information, contact: Director of Audit, Audit Department, P. O. Box 19, Basseterre, St. Kitts, West Indies.

St. Lucia

Annual Report Highlights INTOSAI Standards

INTOSAI's Auditing Standards, adopted unanimously at the XIV INCOSAI in 1992, feature prominently in St. Lucia's Director of Audit's report on the 1991 accounts. Page 1 of the report begins with the statement that the annual examination was made in accordance with the INTOSAI Auditing Standards. In addition, numerous references are made to the INTOSAI standards on staff competence and training in support of the Director's call for improvements in staffing and resourcing of the audit office. In some cases, entire sections of the standards are reproduced in the annual report.

In issuing the audit opinion, two reservations are noted. First, financial obligations regarding employee pensions and fixed assets are not recorded and reported in the financial statements. The report notes that "While the public accounts were in this regard prepared consistently with the approach taken in previous years, I think it is my responsibility to remind readers that the public accounts do not report the overall involvement of government and therefore do not report the government as an entity. This observation is crucial to the growing public awareness of the public accounts and in particular a growing emphasis on the financial requirements of government."

The second reservation notes that the financial statements do not provide a complete picture of the financial affairs and resources for which the government is responsible because they exclude the statements of statutory boards, local government bodies and government companies. In this connection the report states that "The issue of consolidation requires further study by the government. Accordingly, I am unable to determine the effect of this matter on the government's financial statements."

The annual report also includes the results of the Audit Office's self-examination, in which its record keeping, accounts, and inventories are reviewed. For more information, contact: Director of Audit, Audit Department, NIS Building, Block B, Castries Waterfront, St. Lucia, West Indies.

United States

1993 Annual Report Issued

The U.S. General Accounting Office's (GAO) 1993 Annual Report, issued in January 1994, reflects the ways in which the GAO is helping Congress meet the public's demands for more efficient government. In introducing the report, Comptroller General Charles A. Bowsher said, "We explored the full range of important issues facing our legislators, such as national health care reform, the North American Free Trade Agreement, the Pentagon's downsizing and base-closure efforts, the restructuring of the Department of Agriculture, and the President's National Performance Review." The annual report highlights the nearly 1,000 individual audit and evaluation reports issued by the GAO in 1993. In addition, the report also contains audited financial statements for GAO's own operations for fiscal year 1993.

Special attention was also given to GAO's role in INTOSAI. The achievements of the XIV INCOSAI were noted, as were further efforts undertaken by INTOSAI's Governing Board. The report notes that the themes of cooperation, communication and continuity—the key elements in building on past successes and further strengthening INTOSAI—were prominent in the many reports given at the 1993 Board meeting in Vienna.

For additional information, contact: US General Accounting Office, Room 7806, Washington, D.C. 20548 USA.

ASOSAI

Computer Auditing Workshop

A workshop jointly sponsored by ASOSAI and the Office of the Auditor General of Malaysia will be held on the topic of computer auditing from April 19-27, 1994, in Kuala Lumpur. The workshop supports one of ASOSAI's main objectives which is to promote knowledge and exchange of information through regional training programs.

The specific course objectives are to discuss computer auditing techniques and experiences among member SAIs, and to make recommendations to the ASOSAI Secretary General about: future training needs on this subject, effective use of computer audit expert groups, and ways of effectively sharing and exchanging information throughout ASOSAI. Course methodology will include group discussions, case studies and comparative studies.

The July issue of this *Journal* will provide information about the results of the workshop. For more information about ASOSAI and its training programs, contact: Secretary General of ASOSAI, 3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo, Japan.

contact: Secretary General of ASOSAI, 3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo, Japan.

South East Asia Financial Management Consortium

Inaugural Conference Held in India

On February 7-11, 1994, the first International Financial Management Conference was held in New Delhi, India. Sponsored jointly by the Comptroller General of Accounts, Ministry of Finance, National Institute of Financial Management, and the International Consortium on Governmental Financial Management, the meeting drew over 350 financial management professionals from the private and public sectors in 20 countries. India's Finance Minister inaugurated the conference and the keynote address was delivered by the Deputy Minister of Finance who congratulated organizer Ravi Kathpalia, Comptroller General for Accounts, for planning the conference to address issues related to financial and industrial reforms underway in that part of Asia.

The many distinguished speakers addressed such topics as the financial manager's role in privatization and government decentralization efforts. A major outcome of the meeting was creation of the Consortium of South East Asia Financial Management Professionals. Mr. Kathpalia was elected chairman of the Consortium for three years. For additional information, contact Mr. Kathpalia, Controller General of Accounts, Ministry of Finance, New Delhi 110003, India. ■

Helping Pacific Nations: Third Congress of the South Pacific Association of Supreme Audit Institutions

From January 24-28, 1994, members of the South Pacific Association of Supreme Audit Institutions (SPASAI) gathered in Funafuti, Tuvalu for the 3rd SPASAI Congress. During the week, delegates strengthened regional cooperation and demonstrated their commitment to the new SPASAI motto, "Helping Pacific Nations," as they discussed a variety of topics, debated current issues within the region, and conducted a general business meeting. Hosted by Lotoala Metia, the Auditor General of Tuvalu, delegates came from the Cook Islands, Fiji, the Federated States of Micronesia, Kiribati, the Marshall Islands, New South Wales (Australia), New Zealand, Papua New Guinea, the Solomon Islands, Tonga, Vanuatu, and Western Samoa. Joining them were observers from the INTOSAI Development Initiative (IDI) and this *Journal*.

Speakers at the Opening Program (seated from left to right) included: Makena V. Geno, Auditor General, Papua New Guinea; the Honorable Kamuta Latasi, Prime Minister, Tuvalu; Lotoala Metia, Auditor General, Tuvalu; and Teteraira Maen, Director of Audit, Kiribati.

Opening Program

Tuvalu's Prime Minister, the Honorable Kamuta Latasi, formally opened the congress. In his remarks to the delegates he noted that, "Your gathering to understand each other's systems of operations and the sort of difficulties faced, together with your endeavor to address them through cooperation within the framework of your Association, is to be highly commended."

The Prime Minister's remarks also highlighted some of the special challenges facing audit offices in smaller nations, and he pointed out that "independence in a small and closely knit community where officials, including the Auditor General himself, have to perform various and different roles in the wider society can pose a real dilemma. The Auditor, therefore, needs the support of the executive Government, of Parliament and of the various arms of Government in order to enhance 'official' independence."

Later in the Opening Program, Makena Geno, Auditor General of Papua New Guinea, spoke on behalf of the delegates. He said that, "In our own countries our positions as Auditors General and the independence we must ensure makes for our lonely existence....Here in Tuvalu, we will discuss together important and complex issues and gain from the tested knowledge and unique experiences of each other."

Technical Program

Following INTOSAI tradition, the technical program centered on lead and country papers prepared by SAIs in advance of the conference. During the meeting, the rapporteurs presented summaries of the country papers and guided discussions on the topics. At the conclusion of the congress, summaries of these discussions and recommendations were prepared for circulation to the members. The eight topics discussed are summarized below.

Topic 1: The Public Accounts Committee and the Auditor General *(Rapporteur: Fiji)* and Topic 2: Parliament and the Auditor General *(Rapporteur: New Zealand)*

The papers for these two topics and the discussions which ensued raised many similar points. Although there were differences in the ways in which the SAIs were legally constituted and the ways in which they reported findings, delegates agreed that the SAIs serve several clients: the Parliament, the Public Accounts Committee (PAC), the auditee and the public. There was also recognition that, to serve these clients effectively, accountability hinges on the independence of the audit office and its ability to report to the Parliament on all aspects of the receipt, custody, and application of public resources. One issue concerned audit reports that become ineffective when they are not backed by the Public Accounts Committee or are not acted on in a timely manner. Attention was also directed to the role the Auditor General plays in relation to the PAC and the

Parliament, and concerns were expressed that caution must be exercised to ensure that independence was maintained and that the SAI remained uninvolved in politics.

Topic 3: External Auditors and Internal Auditors *(Rapporteur: Western Samoa)*

Based on the definitions presented in the lead paper, discussions about external auditors and internal auditors focused on two major issues—the relationship between the two activities and their responsibility for the prevention and detection of fraud. There was agreement that the effectiveness of the external auditor (known as the Auditor General in the public sector) and the internal auditor was dependent upon having well qualified staff in both activities and establishing good working relationships between the two functions. Questions were raised about the extent to which external auditors can or should rely on internal audit work, and options were discussed for building closer working relationships between the two groups. While there were some differences about the extent to which the external and internal auditors were involved in the prevention and detection of fraud, there was agreement that there is a role for both groups in alerting management to deficiencies in systems and controls which can lead to fraud.

Topic 4: Corporatization—A Theoretical Approach *(Rapporteur: Papua New Guinea)*

Defining corporatization as "legislation that changes the legal status of the public enterprise to that of a limited company, the shares of which are still fully owned by the government," the discussions in this session explored the role of the audit office in this sphere. Delegates agreed that the SAI should play an active, but carefully defined, role in the corporatization process of any public enterprise. Accountability for newly corporatized entities was a major focus of discussions, and issues related to determining the objectives for the corporate body, establishing the expectations about goods and services to be realized, and developing approaches to measure performance were considered. Concerns were raised that the SAI may need additional resources to meet new responsibilities in this area.

Topic 5: Decentralization of Financial Management Control *(Rapporteur: New Zealand)*

Noting that "decentralization of financial management control is now normally part of the move to improve management, financial management and the overall performance of the public sector," delegates directed their attention to the impact that this will have on national audit offices. Within the SPASAI context, there was some concern and debate over the merits of decentralization given the size of the entities involved; there was a feeling that some assessment may be needed to determine if decentralization is really necessary if the departments involved are already fairly small. However, there was recognition that if decentralization occurs, management expectations of the auditors will change: the managers become more reliant on the auditor to present feedback on how well the organization is operating. Delegates also agreed that for decentralization to be properly implemented, government objectives must be clearly defined and provisions must be made for strong reporting and accountability.

Topic 6: Coordinating Information Technology in the Government *(Rapporteur: Kiribati)*

Recognizing that there are benefits to be derived from a national level coordination of information technology, there was considerable discussion about the role of the SAI in such coordination efforts. Debate centered on the degree to which audit independence would be compromised (or might appear to be compromised) if SAIs became directly involved in any coordination, policy development, or systems procurement decisions. At the conclusion of the session, there was agreement that while it was important to have information technology strategies linked to a national development plan, it would be advisable for each nation to examine the role for their SAI to best determine the level of involvement the SAI should have in the decisonmaking and policy formulation processes.

Delegates at the 3rd SPASAI Congress took time before and after the meetings and during the breaks to continue discussions.

Topic 7: Auditor General's Salary Level and Budget *(Rapporteur: Solomon Islands)*

This session provided a forum for the auditors general to compare and contrast the selection/appointment, renumeration, retention, and retirement schemes in their countries. Salaries and budgets were examined in terms of their impact on the independence of the SAI and its ability to attract and keep qualified leadership and staff. Although none of the countries had experienced significant problems related to independence and operations, some of the systems and procedures seemed more likely to provide opportunities for abuse, and strategies to improve practices were discussed. Relative to the salary of the auditor general, one option which was well received was that the auditor general's salary should be comparable to the salary of the solicitor general or chief justice.

Topic 8: Strategies and Methodologies in Improving Internal Control Systems in Government *(Rapporteur: New South Wales)*

The topic of improving internal controls evolved into discussions in several separate areas. Debate began around the role of the SAI in advising and assisting management in establishing adequate internal control systems while not assuming responsibility for establishing the internal controls. There was some agreement that, while agency officials and managers need to establish the systems and assume responsibility for ensuring that they are followed, SAIs can provide advice on the "best practices." Another concern expressed was about determining when "adequate" control becomes "over" control and inefficiency is introduced. A third concern, associated with auditing in small island nations, centered around the conflicts created when managers responsible for internal controls have very close personal ties with the auditor general or with SAI staff. In this sensitive area, professional standards and adequate disclosure of possible conflicts of interest were discussed as strategies to address these concerns.

SPASAI Business Meeting

During the congress, an afternoon session was set aside for conducting the ongoing business of SPASAI. The report by the Secretary General, Pohiva Tui'i'onetoa (Tonga), included congratulations to the Federated States of Micronesia on becoming a member of INTOSAI, recognition of Kiribati as a member of INTOSAI's EDP Committee, appreciation to New Zealand for its work in designing and printing the logo and letterhead, and a presentation on the proceedings of the INTOSAI Governing Board meeting held in Vienna, in May 1993. A report on the group's financial statements and short remarks regarding the *Journal* were also included.

Considerable time during the meeting was spent discussing training needs and IDI's work in the region. Richard Gagne, IDI's Director of Programs, reported on IDI activities in the region and took part in planning future regional training. During the discussions, attention was also given to the regional training needs assessment conducted by Isaac Tatapu, the Auditor General of the Solomon Islands.

Other business items were addressed during the meeting, and several recommendations and decisions were made: the Secretary General would look at the feasibility of developing and distributing a SPASAI newsletter as a means of continuing to build greater communication, cooperation, and continuity within the region; the Federated States of Micronesia volunteered to host the next SPASAI meeting (and Fiji agreed to stand as an alternate); Fiji was elected to serve as the new Secretary General for the region; Australia's withdrawal from the regional working group was acknowledged; the Marshall Islands was unanimously elected to serve as the auditor for the group; and, SPASAI adopted a two-year meeting cycle, so the next meeting will be scheduled in 1996.

As the business meeting concluded, the Chairman expressed sincere thanks and appreciation to the outgoing Secretary General, Pohiva Tui'i'onetoa of Tonga, for the excellent work he had done in guiding and leading SPASAI. These sentiments were seconded by the delegates, and Makena Geno, Auditor General of Papua New Guinea noted that "Without Pohiva, SPASAI would not have come this far— he has made it what it is now—a recognized member of the INTOSAI community."

Through tradition and innovation, in technical and social programs everyone enjoyed the opportunities to forge stronger links between and among the member SAIs. By week's end it was clear that SPASAI, as a regional working group, is committed to meeting the expectations expressed in the INTOSAI and SPASAI mottos—in sharing their ideas so that "mutual experience benefits all" the SPASAI members are indeed working toward "helping Pacific nations."

For more information, contact: Secretary General, SPASAI, Sukuna House, McArthur Street, P.O. Box 2214, Suva, Fiji.

As Chairman and host for the congress, Lotoala Metia moderated each of the discussion sessions. He is pictured here (at the right) with Isaac V. Tatapu, Auditor General, the Solomon Islands, the rapporteur for Topic 7: Auditor General's Salary Level and Budget. ■

Auditing Project Sustainability

By Ram Babu Nepal, Director, Office of the Auditor General, Nepal

Introduction

Developing countries launch many projects aimed at enhancing development and accelerating economic growth. As part of this effort, they receive external assistance from bilateral and multilateral sources to create infrastructure and broaden the delivery of public services. Many projects, however, have not been adequately sustained because of various factors, and thus investment in them has led to fewer positive results. Therefore, ensuring sustainability is a very important management function, and evaluating project sustainability becomes especially important in managing development efforts.

Definition of "Sustainability" and "Evaluation"

"Sustainability" is the capacity to sustain a desired level of output or service for an extended period. It is the ultimate test of development efforts. It requires not only that a particular project achieves its objectives during the project life but also that the benefits it generates continue beyond the time of the donor's involvement and continue despite technological changes. Project management must have adequate technology and financial and administrative arrangements to achieve sustainability and gradual economic self-reliance.

An evaluation is an assessment, as systematic and objective as possible, of the design, implementation, and results of an ongoing or completed project, program, or policy. It aims to determine whether (1) project objectives have been met, (2) objectives have been met efficiently and effectively, and, (3) the project is sustainable. Evaluation provides useful information that enables the incorporation of lessons learned into the decisionmaking process to benefit both recipients and project management.

Indicators of Sustainability

Performance indicators are essential for evaluating any project. Examples are as follows:

- generation and distribution of benefits;
- ability to maintain the flow of benefits, including competence of local or project beneficiary organizations;
- accountability or management relationship system to support mutually reinforcing project activities;
- changes in quality of life of project beneficiaries;
- continuity in the socioeconomic well-being of target population and ability to change;
- capacity to ensure enhanced productivity by adopting changes in technology and management systems; and
- a system to ensure equitable distribution of incremental project benefits.

Factors Influencing Sustainability

Sustainability depends upon various interrelated factors as explained below.

Government Policy

Development projects must operate within the context of national development policy, and government policy greatly influences sustainability. Government usually expresses its strong support for new projects in the course of planning, but during implementation often fails to provide adequate operational support, which results in cost and time overruns. Therefore, an evaluation must include the extent and the scope of government support, including budget, foreign exchange, debt management, product pricing, personnel management, private sector and beneficiary participation, etc.

Management and Local Participation

Appropriate administrative procedures, management leadership, and participation of beneficiaries are essential. Leaders are responsible for shaping policy for technological applications, setting goals, and mobilizing support from associated parties. The prospects for sustainability improve when project objectives match well with administrative capability and keep pace with project dynamics.

Most skilled and experienced employees transfer to new projects that attract more attention because more resources have been devoted to them, leaving the operational responsibility of completed projects in the hands of people who either are less efficient or could not secure adequate support from higher authority. This leads eventually to less inspiration to maintain the minimum level of performance. Inadequate attention toward ensuring efficient systems of project management and mobilizing local participation can paralyze the operation of activities that are essential in enhancing sustainability.

Financing

Sustainability depends on a flow of enough funds to cover operations, maintenance and depreciation of real assets, investments, and continuation of project benefits. Most projects face critical problems related to a flow of funds mainly because of unreasonable pricing policies, lack of competitiveness, and ineffective supply systems. Generally, products and services are priced too low. Projects must generate revenue adequate to justify continued government support in meeting annual operating costs amidst a growing demand for an incremental budget.

In the case of Nepal, most projects tend to overrun their cost and time estimates, which directly affect pricing of products or services. But because of various seen and unseen factors, increasing the prices is very difficult. Charging user fees may be a desirable means of shifting the burden of operational costs from the public purse. It also is an incentive to improve product quality and credibility of services; both are vital in the current business and economic environment.

Technological Factors

Choosing the appropriate level of technology is essential for both the financial and institutional capabilities of the nation and program goals. If sophisticated technology is adapted without considering the projects' financial and technical capabilities, production will be obstructed and product services of acceptable quality will not be available at the right time and at reasonable costs; ultimately the technology will be unused.

Social and Cultural Values

Fostering a sense of ownership among communities as they view their institutions is essential to promote sustainability. Projects must consider social and cultural values of beneficiaries so that the project can mobilize adequate support for marketing products and services and preserving physical structures. Proper attention to social and cultural factors will help mobilize public support and ensure a lasting impact.

The Environment

Environmental issues—population pressures, mismanagement of productive resources, unplanned settlements and negligence in the use of national resources—also affect sustainability. Developing countries, like many other countries, do not always consider the impact of development projects on the environment. As a result, projects are facing various challenges because of environmental factors that are threatening sustainability, increasing maintenance costs, and even necessitating complementary projects to protect the environment. This leads to increased project costs and sometimes loss of benefits.

External Factors

Although political and economic instability, natural disasters, and other external factors are beyond the control of any project, they can threaten its sustainability. An audit must attempt to appraise the effect of such factors so as to sustain project benefits. Coping mechanisms used by project management can minimize losses.

Types of Development Projects

The nature and the content of development projects may differ largely because of their scope, location, and sector affiliation. Such differentiation also influences the gravity of above-mentioned factors in the evaluation process. In broad terms, the nature of development projects and major issues to be considered in assessing potential sustainability are discussed below.

Productive Projects

Agriculture, fisheries, forestry and mines are productive projects. Their sustainability depends on levels of technology, market mechanisms, pricing policy, resource supply, extension service, and job orientation or satisfaction of project personnel. In some cases, skilled personnel may not consider this sector suitable to their capability and tend to change the mode of their employment and investment. In addition, manual work is not always held in high regard in some societies. Project sustainability in Nepal suffers from lack of due care by managers and policymakers in strengthening interrelated activities and initiating intensive measures to solve problems. Sustainability may be enhanced by strengthening and making the projects responsible to user groups or beneficiaries' associations. Such groups or associations should have authority to manage project output and services.

Infrastructure Projects

These are essential to support long-term growth and balanced, integrated development of the economy. Sustainability depends mainly on having a reasonable pricing policy; technical capability in adopting new inventions; managerial systems instituted to ensure credibility of service; and, above all, innovativeness of managers in responding to changing situations.

Most infrastructure projects do not operate and deliver services in a credible manner because of inadequate and inefficient provisions, from both a financial and a managerial viewpoint, for maintenance, repair, and rehabilitation. Donors often require use of costly expatriate consultants, and consideration of skill transfer is rarely evident. This creates various problems during the operational phase, mainly after external assistance ends. Nepal has had such experiences in many projects. These weaknesses may be overcome by developing in-country capability.

Human Resource Development (HRD) and Institutional Support Projects

The consensus seems to be that developing countries cannot accelerate the pace of progress due to lack of in-country capability. The results of massively launched projects have not

been encouraging and have sometimes been negative. Therefore, significant HRD measures must include sound management and organization systems to promote sustainability.

Personnel usage depends on there being enough surplus to generate employment and other facilities. These projects are sustainable with the initiation of various measures to ensure credibility in output and service delivery by adopting emerging technology and management practices.

Social Projects

Public education, health, and social welfare projects generally support social development by enhancing human potential and ultimately contributing to self-reliance. Projects face critical challenges relating to financing and delivery of quality services. In most developing countries, governments heavily subsidize social services, perhaps in the interest of maintaining popularity. Also, extending government support to social service projects has turned out to be burdensome in terms of both finances and motivation to human resource. Therefore, quality of social service has been controversial in recent years and has indicated the need to review the approach to financing social services.

Sustainability: Common Issues and Role of Audit

The intense desire to speedily transform the national economy has prompted government to launch new projects influencing different sectors of society. The common issues related to project sustainability in Nepal are as follows:

- launching an increasing number of development projects without genuinely considering managerial ability to carry them out;
- inadequate and insufficient financing mainly from internal resources, which has resulted in time and cost overruns;
- lack of an efficient and effective institutional mechanism to support HRD to enable staff to manage project activities;
- absence of a clear policy to evaluate project sustainability;
- significant increases in project costs because of poor performance and delayed completion; and
- introduction of sophisticated technology without considering market conditions and without maintenance facilities and capabilities.

Audit provides significant information on financial and related issues. To ensure value for money, the modern approach to government auditing encompasses economy, efficiency, and effectiveness aspects that are essential to identify procedures, practices, and limitations of operational systems. The real value of audit is the root causes of operational weaknesses. Measures can then be identified to promote project sustainability and effectiveness.

Effectiveness auditing encompasses identifying and evaluating factors related to sustainability, such as (1) the status of project benefit generation and distribution, (2) the current level of benefits, (3) factors inhibiting satisfactory performance, (4) interrelation of project components to complement their activities, (5) ways to make projects work better, and (6) adequacy of management systems in identifying weaknesses.

The Office of the Auditor General of Nepal, recognizes the need to identify factors that influence project sustainability and stability of policy matters to ensure effective generation of benefits. The major causes of weaknesses highlighted in the audit reports adversly affecting sustainability are nonavailability of support services, lack of skilled staff, an irrational pricing policy, inefficient and ineffective management control mechanisms, and lack of attention to strengthening institutional capability.

Audit cannot remain indifferent to the concerns of the public. There is a growing public concern about managerial and service-related issues, particularly inefficient delivery of products or services of development projects. Therefore, each supreme audit institution should seriously consider how to address substantial issues of public concern. Modern public auditing has developed methodologies to adequately evaluate critical aspects of project management.

Conclusion

Nepal faces the challenge of meeting requirements for information on project benefit generation, service delivery, and impact on the target population. In this connection, sustainability issues deserve special consideration in the audit process. Project impact depends on the measures taken to enhance the project's operation. Project monitoring and evaluation systems should include identifying and tracking factors that support sustainability.

Lessons on sustainability could be learned from completed projects and applied to future plans and programs. It also helps to ensure that planning will be done rationally and that scarce resources will be managed effectively.

For additional information, contact the author at: Office of the Auditor General, Babar Mahal, Kathmandu, Nepal. ■

The SAI's Right to Select Audit Topics

By Jacek Mazur, Supreme Chamber of Control, Poland

Introduction

The supreme audit institution (SAI) can perform its tasks properly only when it remains independent of audited bodies and is protected from external pressure. Naturally, the SAI constitutes a structural element of the state itself, and thus it cannot be absolutely independent. Yet, a certain degree of independence is indispensable to carry out its tasks. This degree of independence involves

- structural independence (especially to undertake activities that affect other organs of the state, but with some limitations);
- functional independence (the right to address Parliament directly for the necessary budget allocations and the right to allocate obtained funds within its own budget);
- independence on the part of the leadership and auditors, expressed in the proper wording of the terms of appointment and dismissal of the SAI head (or members of the board in case it is a collective body) and auditors; the aim is to protect them from pressures exercised by audited bodies and to prevent actions to limit the scope of their activity.

Such independence can exist when the status, the competence, the organization and the modes of functioning of the SAI are defined in detail in the Constitution and legislation; all remaining issues can be determined by the SAI itself.

Subordination of SAIs to Legislation

In many countries, the principle of exclusive subordination of the SAIs to legislation is contained in this legislation.

For example, the Constitution of Germany of 1949 mentions in article 114 "the Federal Court of Audit whose members shall enjoy judicial independence" similar to that of judges, while article 1 of German Act of 1985 adds that the Court of Audit constitutes "an independent institution of financial control. . .subject only to the law."

The constitution of the Czech Republic and legislation in France and Portugal have similar provisions.

Right of SAI to Select Audit Topics

On the other hand, independence of audit and objectivity of its findings are not enhanced when other organs of the state exercise governing powers over the audit institution.

According to the principle of separation of powers, certain powers are indispensable for these organs (e.g., for Parliament—the right to appoint, at times jointly with the head of state, the head and members of the SAI; the right to allocate funds for the SAI budget; and the right to study its reports). These powers should be considered unique.

But according to the principle of sovereignty, the SAI has the right to freely select audit topics. According to section 13, item 1, of the Lima Declaration of Guidelines on Auditing Precept (passed by the IX INTOSAI Congress in Lima in 1977), "supreme audit institutions shall audit in accordance with a self-determined program. The rights of certain public bodies to request a certain audit in specific cases shall remain unaffected." This principle was stated still more explicitly in INTOSAI Auditing Standards in 1992 (especially sections 60, 61, 65 and 67).

Of 25 European countries on which information is available, 21 have implemented this principle. These are Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Greece, Spain, the Netherlands, Ireland, Iceland, Luxembourg, Malta, Germany, Portugal, Sweden, Turkey, Hungary, Great Britain, Italy, and the European Union Court of Auditors.

Independence in selecting topics is not limited to the Court of Accounts system of auditing, where the requirement of member independence seems self-evident (for example, in France, Italy, Spain, and Portugal). Monocratic and quasi-monocratic audit institutions, which are structured as to national audit offices (e.g., in Great Britain, the Czech Republic, Estonia, and Hungary), also have the right to determine their audit programs, which is also true for SAIs with more direct links to government.

Areas of Audit Besides Those Required by Legislation

Sometimes basic audit topics are determined directly and strictly by the Constitution or authorizing legislation. Other areas of audit, besides the obligation to carry out an annual analysis of state budget implementation, are as follows:

- initial audit of the legality of state expenditure;
- deciding on the lawfulness of income and expenditures of state institutions and some other public institutions, including "proper use made of loans, funds and values left at their disposal";

- supervision of the relationship between central banks and public finances; and
- financial audit of election campaign funding.

Annual Audits

Some SAIs conduct complete audits every year. Of 20 European countries, this is true of Greece, Luxembourg, Italy, and Malta, while in the Netherlands, Sweden, Great Britain, and Cyprus, the only matters considered in annual audits are reliability and legality. In these eight countries, all the entities subject to audit should be audited at least once a year without any external motion or recommendation.

Audit Frequency

SAIs which do not cover all entities in their annual audits most commonly establish the rules of minimum frequency of audits. For example, in Finland and Iceland every entity is audited at least once in every 3 years; in Ireland, each entity is audited at least every 4 years; and in Denmark, entities are selected for audit a few years in advance in accordance with audit-planning systems.

At times, audit frequency is determined by more specific criteria. For example, in Portugal, those sectors of public life that are characterized by high risk (that is, the possibility of loss) are audited at least twice within each 4-year period, while remaining organizational units are audited at least once every 4 years (when their income or expenditures exceed a certain amount) or once in every 8 years.

Audit Sampling

Spot-check studies are preferred as a rule. The sample selected for audit should include a suitable number of elements and suitable types of elements for the results to prove representative, and permit the drawing of conclusions which could apply to the whole population. The determination of size and type of samples, as well as the selection of particular units—apart from difficulty—is methodological rather than political. Involving external entities in decisionmaking at this stage could cause the audit methodology to be incorrect.

Audit Proposals From Other Government Organs

The above discussion does not necessarily mean that SAIs do not consider suggestions from other state organs and experts and public opinion. The majority of answers to a survey by the European Organization of Supreme Audit Institutions (that is, 20 of 26), pointed out that Parliaments' recommendations were followed; in 9 countries, recommendations from Government organs were considered in selecting audit topics. But proposals coming from other organs have no binding force of law.

In Austria, Switzerland, Romania, and Poland, the situation is different.

Austria

In Austria, the Court of Audit, as a rule, conducts audits of its own choice; at the same time, the Constitution of 1920 makes the Court an organ of Parliament. According to article 122, section (1): "The Court of Audit shall be directly subordinated to the Legislative Assembly. In matters of Federal financial operations, the Court of Audit shall be considered an organ of Provincial Government when involved in matters concerning the Provinces, Associations of Local Governments and Local Governments."

Consequently, the Court of Audit is obliged to "carry out special audits within its scope of activity. . .upon duly justified request of the Federal Government or a Federal Minister." Such situations are rare and in practice the Court is self-reliant in determining its audit program.

Switzerland

In Switzerland, according to article 71 of the Constitution of 1874, financial audit of the Federation is the direct responsibility of the Union Assembly (Parliament); in practice, it is conducted by financial commissions of both chambers and a joint committee elected by them—the Financial Delegation, assisted by their permanent secretariat. Apart from that, the system of state administration organs includes the Federal Audit Office, whose activity serves both Parliament and the Union Council (equivalent of government). The Office conducts audits on its own initiative and upon recommendation by the Financial Delegation; the right to commission audits is also shared by the Union Council, which, in fact, does not exercise this right.

Romania

In Romania, the Tribunal of Accounts, which resumed its activities in February 1993 after a 40-year break, is an independent and sovereign body. According to article 2 of the Act of 1992, the Tribunal itself shall define a program of audits but each chamber of Parliament (both the Chamber of Deputies and the Senate) has the right to pass an act to impose on the Tribunal the obligation to carry out an audit outside the scope of its basic program.

Poland

In Poland, the Supreme Chamber of Control (SCC) was founded in 1921 as a sovereign body, but it reported to the Sejm (the lower chamber of Parliament). The SCC worked primarily to meet Sejm needs, but it established its audit program independently. That continued until 1939.

After World War II, several changes were made. While restoring the SCC in 1957 (after temporary liquidation between the years 1952-57), still more emphasis was placed on its subordination to and link with the Sejm. Full independence

of the SCC was guaranteed, but according to the principle of uniformity of power, it was recognized that SCC activity should serve not only the Sejm but also the Council of State (referred to as "the collective President") and other organs of government.

In consequence, the act of 1957 envisaged conducting audits not only on the SCC's own initiative but also upon recommendations from the Sejm, the Council of State, and the Prime Minister. According to the separate act passed by the Sejm in 1957, recommendations from the Sejm could be in the form of either Sejm acts or resolutions of Sejm committees. Later, in subsequent Sejm regulations, head organs of the Sejm (that is, the Speaker and the Presidium) were added. In 1989, the Council of State was abolished and replaced by the President, who also enjoys the right to recommend topics for SCC audits (a different approach in this respect was adopted by "the small Constitution" of 1992).

Presently, the right to recommend topics for SCC audits is shared by the Sejm and its organs (including the Speaker, the Presidium, and committees); the President; and Prime Minister share the right to make motions to recommend audit topics.

In practice, the President has so far recommended that the SCC audit his Chancellery; the Prime Minister's motions have been more numerous but also infrequent. Similar motions are frequently sent in by organs of the Sejm, especially by committees; at present, one-fourth of audit topics were recommended by the Sejm, and this percentage is increasing. The inclusion of many topics recommended by the Sejm has not so far affected the implementation of annual SCC audit programs; the major source of difficulty is requests to conduct audits on very short notice.

A completely new situation could arise with the passing of draft legislation proposed by the government in 1992. According to that draft, the SCC should also conduct audits to meet the needs of criminal courts, especially in regard to economic crime, upon request from courts or prosecutors (as an alternative, the audits may be conducted as a result of a motion by the Prosecutor General, who is also the Minister of Justice).

The SCC presented arguments against the proposal. The proposal to use the SCC in individual criminal cases, it was pointed out, is unconstitutional. Criminal procedure as such concerns individuals, and the SCC has no right to audit individuals. Its right to audit nonstate organizations is considerably limited.

Passage of the legislation would affect the very character of the SCC since its basic task is to supervise the functioning of state administration and enterprises and to prepare audit reports on government agencies rather than make individual inquiries. Increasing the number of bodies entitled to require audits (to be completed within strict deadlines determined by the nature of criminal code procedures) would lead to the weakening of Parliamentary control over administration.

Sejm committees voted against the draft legislation, and in January 1993, it was rejected at the initial stage of legislative procedures in the Sejm.

Conclusions

The above observations lead to the following conclusions:

- Because of their responsibilities, SAIs should function independently of other state organs and conform to authorizing legislation; they should then conduct audits on the basis of programs worked out independently. This model is the most common.
- Some countries have another type of SAI—one strictly linked with Parliament and supporting its activity. In these cases, too, the SAIs should preserve their structural independence, though their close links with Parliament are recognized as fully justified; these links affect the audit programs which closely follow Parliamentary recommendations (in Parliaments with more than one chamber).
- None of the situations mentioned above justifies delegating the powers to recommend audits to the SAIs to any bodies other than Parliament itself, especially not to executive agencies.

For additional information, contact the author at: Supreme Chamber of Control (NIK) of Poland, 00-950 Warszawa, Skrytka Pocztowa P-14, Poland. ■

Austria Hosts International Symposium

By Michaela Spracklin, Court of Audit, Austria

On March 14-15, 1994, the Austrian Court of Audit hosted in Vienna a symposium on "Government Auditing in an International Environment." The meeting was organized jointly with the Ludwig Boltzmann Institute of International Cultural and Economic Relations, and brought together speakers representing the international auditing community. Participants also included members of the Austrian Court of Audit, representatives of Austria's Provincial Audit Boards, and the press.

In his keynote address, the president of the Austrian Court of Audit and Secretary General of INTOSAI, Dr. Franz Fiedler, set the tone of the two-day meeting with a presentation of the Lima Declaration of Guidelines on Auditing Precepts. He discussed its history, and contents of this document, which has often been referred to as the Magna Carta of government auditing. He then went on to review the extent to which the principles contained in the Lima Declaration were implemented and practiced in Austria, closing with a note of sorrow on how little government policy-makers and the public in general were aware of the existence of this milestone publication of government auditing.

The president of the European Union Court of Auditors, Mr. André J. Middelhoek, then spoke on "Auditing from the perspective of the European Union's Court of Auditors." He outlined the EU Court of Auditors' historical development, its composition, legal status, tasks and responsibilities. He pointed in particular to the position of the EU Court of Auditors as an independent body alongside the EU's other four organs.

The former president of the German Federal Court of Audit and former chairman of INTOSAI's Governing Board, Dr. Heinz Günter Zavelberg, provided a lively and personal retrospective of the workings of the German Court of Audit as an example of the collegiate system of auditing, and shared his many experiences as its head.

The first day of the symposium closed with an academic presentation by Dr. Gunter Kisker from the University of Giessen, Germany, who reflected on "Auditing versus policy making."

On the second day, Dr. István Hagelmayer, president of the Hungarian State Audit Office, reported on the "Development of the new Hungarian State Audit Office." He described Hungary's model function in Eastern Europe, its active commitment within INTOSAI, long before democratic reform was initiated, and thanked Western countries for their valuable support in the formidable task of setting up a modern, democratically-based system of government auditing. Mr. Hagelmayer stressed that privatization was one of the overriding issues audit offices in former Eastern Europe were currently concerned with, and emphasized that the efforts and activities in this field taken by INTOSAI were highly welcome and much needed.

Lecturers and hosts at the International symposium on government auditing including, from left to right: Dr. Edith Jud, Austria; Prof. Dr. Gunter Kisker, Germany; Prof. Dr. István Hagelmayer, Hungary; Dr. Gertrude Schweighofer, Austria; Dr. Franz Fiedler, Austria; Mr. André Middelhoek, European Court of Auditors; Mrs. S. Märzinger, Austria; and Mr. Reinhard Rath, Austria.

Reinhard Rath, from the General Secretariat of INTOSAI, then gave a comprehensive presentation on the audit of international organizations. In the light of his personal experiences in auditing EFTA and the GATT, he raised a number of interesting issues arising in the field of international audits. In concluding, he drew attention to the fact that international sets of standards such as those issued by INTOSAI, the UN Panel of External Auditors and IFAC played a major role and were given much attention in this field.

The conference proceedings will be published by the Ludwig Boltzmann Institute in German. For more information please contact the Austrian Court of Audit at: Österreichischer Rechnungshof, Dampfschiffstrasse 2, A-1033 Vienna, Austria. ■

Audit Profile: Supreme Chamber of Control in the Republic of Poland

Editor's Note: This Audit Profile was written based on a brochure published by Poland's Supreme Chamber of Control in November 1993.

An Historical Perspective

The Najwyzsza Izba Kontroli, or Supreme Chamber of Control (SCC), springs from a rich tradition of public audit in Poland. The audit function dates back to 1808 when the Head Chamber of Accounts in the Duchy of Warsaw was founded. This subsequently became the Supreme Chamber of Accounts of the Kingdom of Poland. In 1919, following independence, a Supreme Chamber of Control of the State was established, and it is from this institution that the modern office has evolved.

It is noteworthy that during the communist era, Poland had a public audit body independent from Government. During this period of one party control, the activities of the SCC consisted mainly of assessing the implementation of economic plans. This included auditing a range of enterprises, minor public bodies, and, less frequently, ministers. The SCC was authorized occasionally to audit the Government.

Status of the SCC Within the Political System

As the principal state body for auditing, the SCC is recognized as one of the chief constitutional bodies of the state, along with the Sejm (lower house of parliament), Senate, President, Government, Supreme Court, Constitutional Tribunal, Tribunal of State, and the Ombudsman. The SCC independently initiates and carries out audits, addresses recommendations to auditees, and presents audit findings to the state bodies and to the general public.

Additionally, the SCC acts as a supporting body to the Sejm. As well as keeping the Sejm informed about the results of major audits, the SCC submits information on the implementation of the state budget and the activities of state administration, and an annual report on its own activities. The SCC also carries out audits at the request of the Sejm. These requests account for a quarter of all audits conducted by the SCC; recently this proportion has increased.

The President of the SCC participates in sessions of the Sejm, and SCC representatives frequently attend Sejm Committee meetings. They provide summaries of audit findings, comment on information submitted by members of the Government, and comment on draft legislation.

Although legislation has not specified the responsibilities of the SCC to the Senate, in practice SCC materials prepared for the Sejm are also submitted to the Senate. The President of the SCC, at times, participates in sessions of the Senate. Likewise, representatives of the SCC attend Senate committee meetings.

The President of Poland and the President of the Council of Ministers have the right to request that the SCC carry out audit on selected topics; however, this right is infrequently exercised. They are, however, informed of all major audit findings, and the President of the SCC can participate in all government meetings to keep the SCC informed about current government activities.

The SCC has a responsibility for all audit entities active within the framework of state administration. Therefore, other audit bodies must: cooperate with the SCC while drafting their audit plans; conduct certain audits under the supervision of the SCC, and conduct certain audits commissioned by the SCC.

Structure of the SCC

The President of the SCC is appointed by the Sejm with the approval of the Senate. The President is accountable to the Sejm for how he exercises his functions and for the conduct of his employees. Apart from those matters decided on by the SCC Board, the President directs SCC activities.

The SCC's vice-presidents are appointed and dismissed by the Speaker of the Sejm acting on a motion from the SCC President. At present there are 3 vice-presidents; their responsibilities are determined by the President.

The Board includes the President of the SCC, who acts as its Chairman, the vice-presidents, and Board members appointed and dismissed by the Presidium of the Sejm on a motion from the President. Board members do not need to be SCC employees. The present Board has 9 members—2 are from the SCC and the others are outside experts in science, finance, and economics.

As set forth in the SCC Act and the SCC Articles, the Board approves the following SCC activities: analysis of state budget implementation; report of SCC activities; yearly and quarterly plans of SCC activities; drafts of the SCC Articles; draft regulations on the conduct of audits; and, SCC budget estimates.

The SCC employs 1450 persons, 75 percent of whom are audit staff and other experts. Approximately half of the staff work in 12 audit departments headquartered in Warsaw, and the others are located in 17 regional offices.

The activities of the SCC are financed by separate allocations from the state budget based on budget estimates worked out by the SCC. The Minister of Finance must include the SCC budget in the state budget, which then becomes subject to Sejm debate and approval.

Scope of Audit Authority

According to the SCC Act, central and local government administration bodies are generally subject to SCC audit in the spheres of economy, finance, administration, and organization. State-owned enterprises, plants and state budget institutions are also subject to similar audits. Cooperatives, associations, and private companies may be subject to audit by the SCC under special conditions.

The SCC assesses the activities of auditees for:

- legality: compliance with legislation;
- integrity: the degree to which activities are properly documented;
- economic effectiveness: the degree to which their conduct conforms to the principles of sound economy; and,
- purposefulness: the degree to which actions are consistent with assumed tasks.

In conducting their audits, SCC staff usually work at the auditee's premises and have the right to: enter all premises; examine all books, plans, reports and other documents; secure documents and other evidence; interview witnesses; appoint experts; and, conduct meetings with representatives of the audited entity.

At the conclusion of the examination, the results of the audit are written in a report which presents both negative and positive facts, with particular emphasis being given to actual anomalies observed, their causes and effects, and indications of responsibility. All findings must be supported by evidence.

Before signing the report, the head of the audited body has the right to submit well-grounded objections to the audit findings. The auditee can refuse to sign the report and can also submit explanations about any irregularities that occurred.

Presentation of Audit Results

Audit results are presented to the auditee and its superior body as well as to any other institutions concerned. The SCC sends letters to these bodies which present audit conclusions aimed at removing irregularities and prevent their reoccurrence through short-term direct action. The addressees of these letters are obliged to notify the SCC, within a stipulated deadline, about how they have responded to the comments. These comments can only be ignored in cases where it is impractical for them to be implemented, and in such cases, the addressees are required to set out the reasons and indicate alternative remedies and deadlines. In the case of extreme irregularities, the SCC has the right to address a motion to the auditee's superior body to take punitive steps against individuals. In this process, appeals against the recommendations may be made to the President of the SCC. This type of action is seldom taken.

A second type of presentation occurs in audits which disclose similar problems. The SCC summarizes audit results collected from a number of entities to present findings and conclusions covering the large sector. These surveys are then presented to the Sejm, Senate, President, President of the Council of Ministers, respective Ministers and other bodies. The SCC presents about 60-80 of these reports annually.

The presentation of the audit of the implementation of the state budget is handled in another way. The audit commences after the fiscal year has ended and includes an examination of all ministries, central and local government entities, and other public sector activities which receive money from the state budget. An "Analysis of State Budget Implementation" is drawn up presenting any irregularities or opportunities missed by the government, risks to public finances, and action needed to reduce risks and eliminate mistakes. The "Analysis" is reviewed by the SCC Board and then presented to the Sejm. In addition, Sejm committees receive analyses of the implementation of those parts of the state budget that concern them.

Directions of Change

The fundamental transformation that Poland has been experiencing since 1989 has an important effect on the SCC and the selection of audit topics. As work on the new Constitution continues, future debates about the role of the SCC may alter the scope of its tasks, and a new Audit Act may be passed. Changes affecting budget matters, the transition to a market economy, alterations in the functions of state institutions, the introduction of environmental protection as a government concern, and other emerging issues will all have an impact on the future of the SCC.

For more information about the SCC, please contact: **Najwyzsza Izba Kontroli (NIK), P.O. Box No. P-14, Warsaw, Poland.** ■

Reports in Print

Performance auditing has emerged as an important part of the work of the Swedish National Audit Bureau (RRV). In the RRV, the work of the Performance Audit Division not only uncovers shortcomings but also leads to recommendations, provides a basis for action, and initiates change processes. As government resources are becoming more limited, increasing importance has been attached to issues of efficiency and effectiveness, and the RRV has recently released a paper on "Annual Performance Accounting and Auditing—is it possible?" The paper describes the Swedish experience after two years of annual performance accounting and auditing in the state administration. Although the paper is for an anthology that will be published later in 1994, it has been translated into English and is available at no cost through the **Swedish National Audit Bureau, Performance Audit Division, P.O.Box 34105, S-100 26 Stockholm, Sweden.**

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The January 1994 issue of *Performit* published by the Performance Audit Wing of the Department of the Auditor General of Pakistan, may provide guidance and programmatic help to *Journal* readers interested in learning from others' experiences in the field of performance audit work. The publication is devoted to the advancement of financial and performance audit in the public sector, performance evaluation, government accounting, financial management, and other related disciplines. For this purpose, the latest thinking on these subjects is placed before professionals through the articles included in this quarterly publication. *Performit* is available at no cost in English from the **Director General, Performance Audit Wing, Department of the Auditor General of Pakistan, PT&T Auditing, Lahore, Pakistan.**

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The October 1993 issue of this *Journal* included an article about a one-day seminar on "Public Finance Auditing on the Eve of the 21st Century: Trends and Innovations" which was hosted by the Belgian Court of Auditors and the House of Representatives on June 29, 1993. Speakers included the Chairman of the House of Representatives; the heads of the SAIs of Belgium, France, the Netherlands, Germany, and Canada; the President of the European Court of Auditors; members of Parliament, and members from the Belgian Court. The proceedings of this seminar, including the text of the speeches and a summary of the day's activities, is now available in French and Dutch by contacting the **Cour des Comptes, 2 rue de la Regence, 1000 Brussels, Belgium.**

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"What does a law cost - A guide to calculating the financial implications of legislation" is the title of a brochure recently published by the Austrian Ministry of Federalism and Administrative Reform as part of a major project of administrative reform in Austria's Federal government. This folder goes back to a government parties' working agreement of 1990, which foresaw the development of systems for calculating the immediate costs and consequential costs of laws. The folder contains the basis for calculating the financial implications of laws and was designed and organized to enable readers to use the enclosed formulas directly (without needing a great deal of theoretical knowledge). The model presented in the folder is ground-breaking in that it seeks not only to calculate the purely budgetary implications of laws, but also to estimate costs in an operational sense already in the draft stage. The guide should therefore not be regarded as final and complete, as it must first be tested in practice and refined subsequently. Users are requested to inform the editors of their practical experiences. "What does a law cost?" is available in English and German free of cost from the Austrian Court of Audit at: **Österreichischer Rechnungshof, Dampfschiffstrasse 2, A-1033 Vienna, Austria.**

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Each year the International Monetary Fund (IMF) publishes a wide variety of financial and monetary studies, including books, periodicals, and reference works. Studies of financial management practices, examinations of transitions to market economies, reports of significant economic data and financial surveys, studies of development projects, and discussions of issues affecting banking and fiscal planning are among the topics included in the "International Monetary Fund Publications Catalog, 1993-94." The catalog contains descriptions of the publications, information about the languages in which documents are available and their cost, and details about how to order (including a list of international dealers who carry these publications outside of the United States). Copies of the catalog can be obtained, at no cost, by contacting the **International Monetary Fund, Publication Services, 700 19th Street, NW, Washington, DC, 20431, USA;** or by sending a facsimile message to **(202) 623-7201.**

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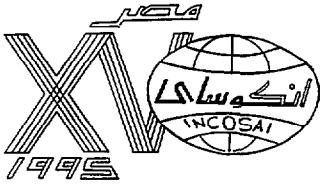
The "Proceedings of the Washington International Financial Management Forum for the Calendar Year 1993" has recently been published. As the Washington, DC chapter of the International Consortium of Governmental Financial Management, the group meets monthly to provide a forum for the exchange of ideas and recommendations concerning international financial management. The "Proceedings" includes the texts of the presentations and summaries of the discussions. It is published in English, and may be obtained from the **International Consortium on Governmental Financial Management, P.O. Box 8665, Silver Spring, MD 20907, USA** or by sending a facsimile to **(301) 681-8620.** ■

Inside INTOSAI



Spotlight on Cairo: SAIs Invited to XV INCOSAI, Plans for 1994 Governing Board Finalized

Staff in Egypt's Central Auditing Organization (CAO), hosts of the XV INCOSAI, are busy with preparations for the world congress scheduled for Cairo in 1995. Formal letters of invitation have been sent to INTOSAI's 163 member supreme audit institutions (SAIs), and CAO President Fahkry Abbas reports that his office has already received positive responses from the SAIs of Ethiopia, Israel, Kuwait, New Zealand, Switzerland and the United States. To assist the CAO in making arrangements for this major event, SAIs are requested to respond as quickly as possible to the invitation.

Staff members from Egypt's Central Auditing Organization participate in a German language training class in preparation for hosting the 1994 Governing Board meeting and 1995 INCOSAI in Cairo.

SAIs can look forward to hearing again from the CAO about additional aspects of the congress. In August 1994, the CAO will send the principal sub-theme papers along with invitations to prepare country papers on sub-themes of interest to SAIs. At the same time, the CAO will send copies of the Rules of Procedure prepared for the congress and approved by the INTOSAI Governing Board at its 1993 meeting in Vienna. The Rules of Procedure will provide detailed information about the congress themes and program.

The CAO has made final selections of the two congress hotels; the Semiramis Intercontinental and the Shepherd are both first-class hotels located in the heart of Cairo. The official congress venue will be the Cairo International Congress Center, internationally known for its state-of-the-art facilities. Recognizing the importance of personal communications at such a world congress, CAO staff are participating in foreign language training in INTOSAI's official languages (see photo).

The CAO will also host the 1994 meeting of INTOSAI's Governing Board. In preparation for that meeting, scheduled for Cairo during the week of October 17, staff from the CAO met recently with representatives of Board chairman, Charles A. Bowsher, to finalize the meeting agenda. Board members and observers will soon receive the agenda and program information in letters from Mr. Bowsher and Secretary General Fiedler, followed by formal invitations and additional information about the meeting from Mr. Abbas.

For additional information about these events, please contact the XV INCOSAI Secretariat, Central Auditing Organization, Salah Salem Road, P.O. Box 11789, Madinet Nasr, Cairo, Arab Republic of Egypt. ■

The next issue of the Journal will include reports on meetings held by INTOSAI's Environmental Auditing Committee and Public Debt Audit Committee, and status reports on INTOSAI's other six committees as they continue their work in preparation for XV INCOSAI.