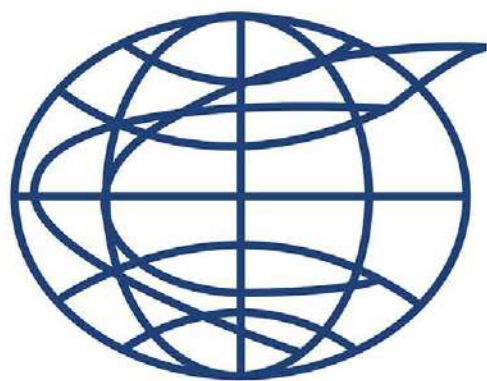




INTERNATIONAL JOURNAL

— OF GOVERNMENT AUDITING —



INTERNATIONAL JOURNAL

OF GOVERNMENT AUDITING

Spring 2019
Vol. 46, No. 2

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The *International Journal of Government Auditing* is published quarterly in Arabic, English, French, German and Spanish on behalf of INTOSAI (International Organization of Supreme Audit Institutions). The *Journal*, which is an official organ of INTOSAI, is dedicated to the advancement of government auditing procedures and techniques. Opinions and beliefs expressed are those of individual contributors and do not necessarily reflect the views or policies of the organization.

The editors invite submissions of articles, special reports, and news items, which should be sent to the editorial offices at:

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(Phone: 202-512-4707; Fax: 202-512-4021; E-mail: intosaijournal@gao.gov).

Given the *Journal's* use as a teaching tool, articles most likely to be accepted are those that deal with pragmatic aspects of public sector auditing. These include case studies, ideas on new audit methodologies, or details on audit training programs. Articles that deal primarily with theory would not be appropriate. Submission guidelines are located at <http://intosaijournal.org/our-submissions/>.

The *Journal* is distributed electronically to INTOSAI members and other interested parties at no cost. It is also available electronically at www.intosaijournal.org or www.intosai.org and by contacting the Journal at intosaijournal@gao.gov.

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"We must lead by example. We must communicate. We must also translate our words into actions and forge enduring partnerships with a true spirit of cooperation and unmatched integrity."



ADDRESSING THE "CANCER OF CORRUPTION" WITH COMMUNICATION, COLLABORATION AND CAPACITY DEVELOPMENT

by James-Christian Blockwood, Managing Director of the U.S. Government Accountability Office Strategic Planning and External Liaison and President of the International Journal of Government Auditing

In his 1996 speech as World Bank President, James David Wolfensohn stressed the need to address accountability, capacity and transparency to ensure sufficient and efficient use of resources, particularly for those most in need.

In that same speech, he underscored the belief that we must also deal with the "cancer of corruption." It's a compelling message describing actions that rob a nation and its citizens, undermine trust and weaken confidence in governments.

Viewing corruption through this lens also made it clear—the world must do more than merely treat this "disease." We must work toward a cure and implement measures to prevent its return.

Though we have made progress in addressing corruption, given the global climate where uncertainties are inherent in complex systems of governance—shifting demographics, economic changes, new and evolving risks and technological innovation—we still have work to do.

We must lead by example. We must communicate. We must also translate our words into actions and forge enduring partnerships with a true spirit of cooperation

and unmatched integrity. I am fortunate, and proud, to be part of an organization and part of a global community enhancing visibility, partnerships and capacity to address these topics—topics that bear considerable importance to us as individuals, organizations, nations and the world.

In recent years, technology and data have greatly impacted anti-corruption and transparency initiatives, so it's no surprise these trends have risen to the forefront of our conversations. At the same time, highlighting efforts in communication, collaboration and capacity development is crucial, as these elements will remain at the core of fighting corruption.

The U.S. Government Accountability Office (GAO) has made great strides in creating a climate rich with the vital ingredients necessary to help combat fraud, waste, abuse and mismanagement and promote good governance. Critical to its success in these areas are GAO's development and deployment of tools such as Generally Accepted Government Auditing Standards, Standards for Internal Control in the Federal Government, and Framework for Managing Fraud Risks in Federal Programs. Under the leadership of the U.S. Comptroller General, Gene L. Dodaro, GAO has endeavored to impart knowledge widely and partner to assist when and where needed.

I aspire to employ the same approach as Managing Director for GAO's Strategic Planning and External Liaison (SPEL), which oversees several programs with global reach—the International Journal of Government Auditing (Journal), International Auditor Fellowship Program (IAFP) and Center for Audit Excellence (CAE)—that lend themselves to communicating, connecting and cultivating capacity to foster positive change in the global accountability community.

The Journal is the official communication organ of the International Organization of Supreme Audit Institutions (INTOSAI), an umbrella organization that provides an

institutionalized framework for 194 member Supreme Audit Institutions (SAIs) worldwide. An essential resource to inform and educate, the Journal has been instrumental in increasing our ability to share insight and best practices across INTOSAI more pervasively and quickly through social media (our Twitter audience has more than doubled over the past two years) and more substantively by introducing spotlight sections and developing thematic approaches, such as this edition on anti-corruption and good governance.

"I am fortunate, and proud, to be part of an organization and part of a global community enhancing visibility, partnerships and capacity to address these topics—topics that bear considerable importance to us as individuals, organizations, nations and the world."

The Journal's ability to incorporate and convey diverse perspectives and experience spanning the globe creates a force multiplier in our efforts to connect more broadly and expose approaches that can help shape the accountability community of the future.

As our community continues to adapt and adjust, communicating will become an increasingly important skill that, when combined with collaboration and leadership, will transform how we fight corruption and how we advance good governance.

The IAFP weaves all of these concepts together by emphasizing communicating and collaborating across regions and cultures while also stressing the importance of leadership. The program, designed to empower future generations, has graduated more than 600 audit professionals in its 40-year history and has created a network of colleagues with a collective understanding about the power of communicating, collaborating, and leading and the power that comes with harnessing these skills to effectuate change.

Change is not easy, especially when facing headwinds of corruption and limited accountability. Through the CAE, we leverage the knowledge and experience of former GAO senior-level professionals and partner with world-renowned organizations to provide training and technical support to improve performance and transparency and ensure the



James-Christian Blockwood, GAO SPEL Managing Director, and Ceyla Pazarbasioglu, World Bank Vice President, sign agreement reaffirming commitment to provide assistance to developing countries

sound use of public funds. We recently signed an agreement with the World Bank that strengthens our existing partnership and expands capacity development support.

SPEL collaborative efforts include managing GAO participation in INTOSAI, which has several working groups—Fight Against Corruption and Money Laundering, Value and Benefits of SAIs, and Big Data—that promote integrity, open data and transparency initiatives. GAO has also partnered with the INTOSAI-Donor Cooperation (IDC), a strategic global partnership between INTOSAI and 23 development partners. The IDC has led to augmented SAI capacity support resulting in far-reaching achievements that have positively affected SAIs around the globe, especially in the African and Pacific regions.

In addition to existing partnerships, creating new ones is also part of the agenda. Groups like the Organisation for Economic Co-operation and Development (OECD) Auditors Alliance provide unique global forums encouraging cooperation and facilitating information exchange on topics of global interest. In March, I attended the Auditors Alliance meeting, which highlighted “Auditors and Technology” and included enriching discussions on interesting digital trends impacting audit work with a particular emphasis on how

audit institutions are taking steps to prevent corruption and resource waste.

Technological advances in artificial intelligence, automation and data analytics provoked stimulating exchanges on employing these tools to create efficiencies and enhance audits; however, modernization does not eliminate the need for auditors. In some instances, modernization will involve more human interaction and dialogue—leveraging communication platforms to more broadly disseminate audit findings to increase transparency and providing human interpretation into data results to help uncover root causes of corruption. The goal is to integrate, not replace. Incorporating new technologies and new approaches will force us to reexamine our strategies, build data literacy and find ways for more collaborative work.

The digital evolution brings ample opportunities, as well as sizable challenges. This evolution, along with the global climate, will require substantial adaptation—individually, organizationally, nationally and globally—which, in turn, will require considerable strengths in communicating, collaborating and capacity development if we are to build on the progress we have made in addressing good governance and successfully dealing with the “cancer of corruption.”

NEWS FROM SAIs AROUND THE WORLD

News from Vietnam

SAV RELEASES 2019 AUDIT PLAN

The State Audit Office of Vietnam (SAV) issued its 2019 audit plan, which will include 190 audits in the coming year. The plan, officially announced earlier this year by Vietnam's Auditor General (AG) was developed through feedback received from the National Assembly Standing Committee, Prime Minister, Central Inspection Committee and Central Internal Affairs. The plan also incorporates comments from the Government Inspectorate regarding the 2019 inspection plan.

Key highlights in the SAV 2019 audit plan, include:

- **Reduction in audited units and audit topics.** This aims to improve audit quality and efficiency, particularly for the State budget, where the SAV will conduct 59 audits (14 ministries and branches, as well as 45 provinces and municipalities). Twelve performance audits are scheduled, which include auditing resource use and management in four districts and cities and State-funded programs and investment projects.
- **Implementing 30 Thematic Audits.** Audit themes include import and export tax collection management; national target program on sustainable poverty reduction for 2016-2020; financial autonomy in public hospitals and universities; and Build-Transfer (BT) investment projects. Some audits are larger-scale to address comprehensive, cross-sectoral management evaluations in using public resources.
- **Auditee/Audit Venue Pilot Rotation.** For the first time, the SAV will conduct a pilot rotation of auditees and audit venues among SAV audit units in an effort to improve audit quality, transparency and accountability. Simultaneously, the SAV will continue improving audit planning methods in accordance with international practices.

SAV AG ISSUES NEW AUDIT FRAMEWORK

Dr. Ho Duc Phoc, Vietnam's AG, issued an audit framework on final settlements of public enterprise state capital when officially transformed into joint-stock companies. The framework, supported by sample forms that can be applied to audit-related reports and documents, calls for specialized audit departments and regional state audit offices to focus on:

- Data truth and fairness in parent company financial statements;
- Equity expense settlements and money obtained;
- Funding support for redundant workers;
- Corporate financial values;
- Land management and use conversion;
- State budget obligations; and
- State capital determination.

The framework also highlights assessing corporate compliance with laws and regulations and evaluating corporate methods used in choosing strategic partners.

News from Japan



BOARD OF AUDIT WELCOMES KOBAYASHI AS NEW PRESIDENT, OKAMURA AS COMMISSIONER

Dr. Mari Kobayashi assumed the Presidency of Japan's Board of Audit (BOA) on December 7, 2018. She succeeds Mr. Teruhiko Kawato, who retired from office on October 22, 2018. Prior to assuming her position as BOA President, Dr. Kobayashi served as BOA Commissioner (since 2013) and as Acting President upon Mr. Kawato's retirement. Her previous experience also includes a professorship at the Graduate School of Political Science at Waseda University in Tokyo.

In a related move, Mr. Hajime Okamura was appointed as BOA Commissioner. He joined the Board in 1983 and has held several important positions within the BOA General Executive Bureau, including Secretary General, prior to his appointment as Commissioner. For additional information, contact the Board of Audit via email at liaison@jbaudit.go.jp or visit www.jbaudit.go.jp/English/.

News from Singapore



SINGAPORE WELCOMES NEW AUDITOR GENERAL

Ms. Goh Soon Poh was appointed Auditor General of Singapore on February 8, 2019, by the President of Singapore. She succeeds Mr. Tan Yoke Meng Willie, who retired on the same date.

Prior to joining the Auditor General Office (AGO), Ms. Goh held senior management positions in various public agencies, including the Ministries of Education, Finance, and Home Affairs, as well as the Prime Minister's Office. For additional information on the AGO, visit <http://www.ago.gov.sg> or email the office at ago_email@ago.gov.sg.

News from Myanmar



MYANMAR, NORWAY COLLABORATE ON ENVIRONMENTAL AUDIT WORKSHOP

The Supreme Audit Institutions (SAIs) of Myanmar and Norway jointly held an Environmental Audit workshop in Nay Pyi Taw, Myanmar, in February. The workshop, designed to introduce environmental auditing in line with the International Standards of Supreme Audit Institutions (ISSAIs), included

senior officials, officers and staff from SAI Myanmar (headquarters and regional offices). Experts from SAI Norway defined environmental auditing concepts, theories, frameworks and related standards and guidelines and discussed performance auditing using an environmental perspective. Expert guidance also included establishing connections and relationships (to, between, among) the Sustainable Development Goals (SDGs); risk assessments and analyses; and audit design.

The two-day event provided participants with a deeper understanding and increased capacity to conduct environmental audits that comply with ISSAIs, select audit topics, and disclose audit findings in reports.

News from Belarus

SAI BELARUS LAUNCHES SELECTIVE INSPECTIONS SYSTEM USING RISK-BASED APPROACH



The Supreme Audit Institution (SAI) of Belarus introduced a new selective inspections system at the beginning of the year. These audits, coordinated by the SAI and carried out by monitoring and oversight bodies per national law, are based on risk assessment criteria established (and ranked) by evaluating legal violation probabilities.

This risk-oriented approach, developed and employed by each control and oversight body, ensures transparency, objectivity and validity and provides a mechanism to prioritize audit work. The approach also provides flexibility, as the SAI has defined standards that allow risk assessments and ranking to be modified should certain benchmarks occur. For example, a risk assessment score can be lowered if an absence of violations is found during an audit.

The monitoring and oversight bodies will determine which business entities to audit using this newly implemented methodology every six months. The audits are summarized in the “Selective Inspections Plan” posted on the SAI Belarus' website <http://www.kgk.gov.by/ru>.

News from Costa Rica

NEW MECHANISM TO PROMOTE ACCOUNTABILITY, ADD VALUE TO LIVES OF CITIZENS



The Comptroller General's Office of the Republic of Costa Rica, the nation's Supreme Audit Institution (SAI), has undertaken actions to strengthen compliance follow-up activities—a task of great relevance aimed at improving processes that contribute to making a difference in citizens' lives (International Standards of Supreme Audit Institutions (ISSAI) 12).

As part of these efforts, SAI Costa Rica created the “Dispositions and Recommendations Compliance Institutional Index” (IDR), designed to systematically measure and present audited organizations' compliance rate based on three factors:

- Efficacy: compliance progress percentage;
- Efficiency: rate at meeting stipulated deadlines; and
- Management: observing regulations and standards associated with the disposition follow-up process.

The first IDR was completed in 2018, which measured compliance achievements for 173 institutions during the period 2016-2017. Results showed an average of 74 points, with more than half obtaining high marks in efficacy, efficiency and management. The numbers demonstrate audited entities' concrete advancement in rectifying deficiencies identified during audits. The results also shed light on institutional behaviors, which can be used to establish future measures aimed at continuity and improvement.

The IDR tool provides important input to establish best practices and activate accountability efforts, control mechanisms, and process enhancing initiatives that generate a great deal of value to the public.

News from Iran

SAC SUBMITS ANNUAL REPORT

The Supreme Audit Court of the Islamic Republic of Iran (SAC) submitted the Annual Audit Report for Fiscal Years 2017-2018 to Parliament. Dr. Adel Azar, SAC President, presented the report's summary during the Official General Session of the Parliament in January, where he briefed on several aspects, including revenues and expenditures; performance-based budgeting; and recommendations to improve the budget process.

SAC PRESIDENT ATTENDS INTERNATIONAL PERFORMANCE-BASED BUDGETING EVENT

The 9th International Conference on Performance-Based Budgeting (PBB) was held at the Al-Zahra University Conference Center January 8-9, 2019. Dr. Adel Azar, SAC President and Conference Chair, delivered remarks, where he pointed to the PBB Maturity Model and the Islamic Republic of Iran's Supreme Leader as instrumental in reforming the country's current budgeting system. Dr. Azar also emphasized the SAC has implemented the necessary performance audit efforts nationwide.

SAC PROSECUTOR GENERAL PARTICIPATES IN INTOSAI FORUM OF JURISDICTIONAL SAIS

Mr. Fayyaz Shojaey, SAC Prosecutor General, participated in the 3rd International Organization of Supreme Audit Institutions (INTOSAI) Forum of Jurisdictional Supreme Audit Institutions (SAIs) held January 24-25, 2019 in Istanbul, Turkey. Mr. Shojaey shared a presentation, "The Judicial System of the Supreme Audit Court of I. R. Iran and Measures Taken to Fight Fraud and Financial Corruption," and best practices with forum members. During the meeting, Mr. Shojaey also met with several SAI counterparts that highlighted the exchange of experiences, bilateral cooperation and contributions.

SUPREME AUDIT INSTITUTIONS OF IRAN AND INDONESIA HOLD JOINT SEMINAR

The SAC and the Board of Audit of the Republic of Indonesia (BPK RI) conducted a joint seminar in Tehran last year to share experience and best practices on several topics, including

auditing banking institutions and public universities, government e-procurement and improving audit report quality. The BPK RI delegation, who included Board Member, Ms. Isma Yatun, as well as Indonesian Ambassador to the Islamic Republic of Iran, Mr. Octavino Alimudin, also met with Dr. Adel Azar, SAC President. Azar noted that the cooperation between the two SAIs can be enhanced by expanding Action Plan 2019, which was signed at the seminar's conclusion.

SAC PARTICIPATES IN ASOSAI ASSEMBLY

SAC President, Dr. Adel Azar, joined the leaders of nearly 50 SAIs attending the 2018 Asian Organization of Supreme Audit Institutions General Assembly (ASOSAI) in Hanoi, Vietnam. In addition to the assembly, Dr. Azar met with numerous high-level SAI delegates to promote bilateral cooperation and share public audit knowledge and experiences.



News from China



Ms. Hu Zejun, Auditor General of the National Audit Office of China (CNAO), at the XIV Asian Organization of Supreme Audit Institutions (ASOSAI) Assembly in Hanoi, Vietnam, assumed the ASOSAI General Secretariat role and responsibilities. In the coming years,

Ms. Hu would like the CNAO and ASOSAI to achieve certain milestones.

"As the CNAO Auditor General, I believe it is essential to follow the national development strategy," she said.

She pointed to a focus on (1) high-quality development, (2) adhering to structural reform, and (3) continuing to promote the audit of public funds, state-owned assets and resources in an effort to ensure full and strict audit coverage with clear accountability.

By 2020, the CNAO will establish an audit oversight mechanism to improve China's audit system functionality.

"It will be a centralized, unified, authoritative and efficient audit system with full coverage that fits the modern national governance system and governance capacity," she explained.

Key goals include strengthening coordination, enhancing guidance, promoting audit administration system reform, optimizing audit resource allocation, and improving the means for utilizing audit results.

Ms. Hu added that accelerating audit law revisions, improving national audit standards, and increasing cooperation with internal and private sector auditing entities are also at the forefront of the CNAO agenda, as are conducting real-time audits of major policy measures, investment projects, special funds and emergencies.

Capacity building remains a priority. Enhancing audits through technology—more fully integrating applications; disseminating the digital audit mode of "overall analysis, doubts identification, separate verification and systematic investigation;" improving big data analytics capabilities—can optimize resources and efficiency.

Ms. Hu underscored, "We must be fully aware of our mission as auditors, achieve our goals through innovative and standard operations and establish our credibility through self-improvement."

She added that, by developing sound training and management mechanisms, the CNAO hopes to build a team of "high-quality, results-oriented, professional auditors with conviction, expertise and integrity."

Adhering to the principle of mutual respect and using the win-win cooperative approach, promoting innovation and development, improving governance, better serving all members, and helping build a community with a shared future are regional imperatives Ms. Hu finds essential.

A primary goal is to jointly build ASOSAI into a model international organization, one that makes greater contributions to developing the audit cause.

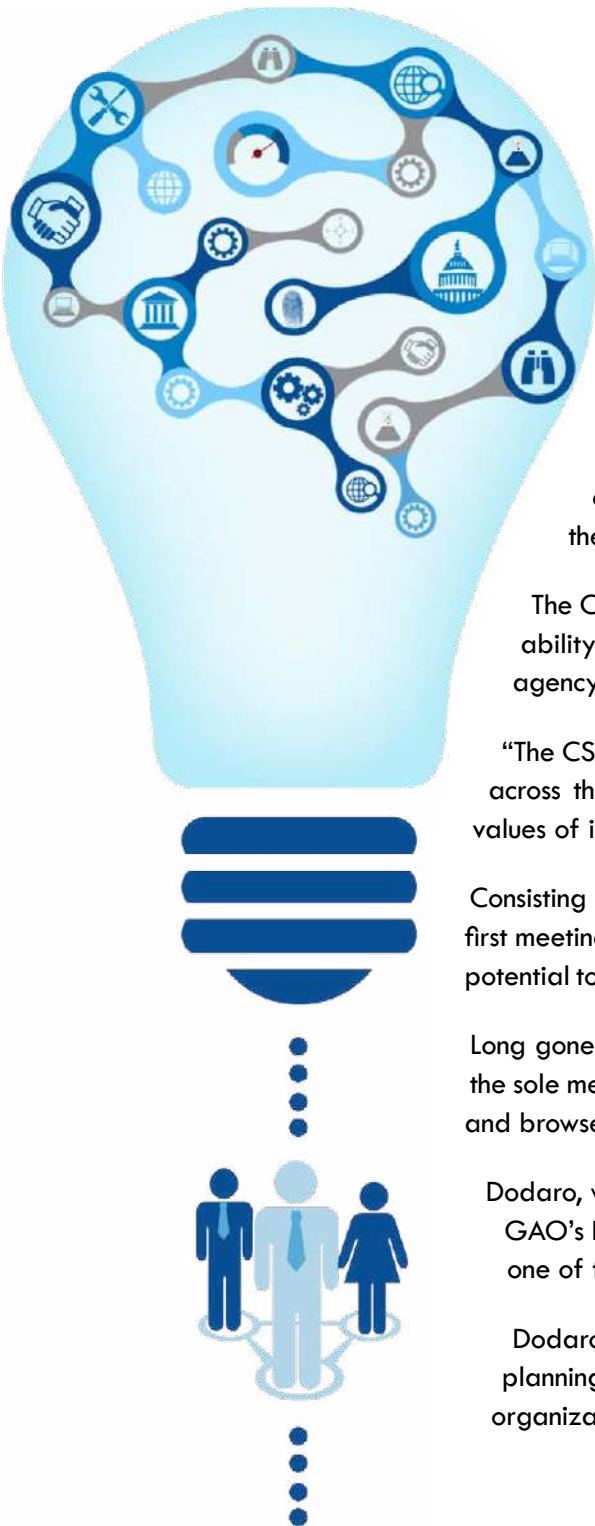
ASOSAI has recognized the urgency associated with building capacity—a central task for all Supreme Audit Institutions (SAIs)—individually and institutionally. Ms. Hu champions expanding capacity and knowledge using diverse methods with a particular emphasis on learning and mastering new technologies.

Ms. Hu also noted SAIs should facilitate the sustainable economic and social development of various countries, especially with the adoption of the United Nations 2030 Agenda for Sustainable Development.

The International Organization of Supreme Audit Institutions, along with auditors across the world, have attached great importance to Agenda 2030 and have studied how SAIs can contribute to national Sustainable Development Goal achievement.

"We should continue focusing on sustainable development and urge members to better serve sustainable development initiatives within their country, as well as the entire Asian region."

News from the United States



GAO LAUNCHES CENTER FOR STRATEGIC FORESIGHT INAUGURAL MEETING

“Supported by the leadership and vision of the U.S. Comptroller General, Gene L. Dodaro, we are committed to strategic foresight as an important management tool, as well as a mechanism to guide us as we plan our future work,” noted James-Christian Blockwood, Managing Director of the U.S. Government Accountability Office (GAO) Strategic Planning and External Liaison (SPEL) office.

To achieve positive, long-term outcomes, Blockwood believes creatively and critically thinking about emerging trends and future challenges and collaborating with experts are necessary efforts—efforts facilitated through the Center for Strategic Foresight (CSF).

The CSF, which Blockwood helped establish and will oversee, aims to enhance GAO’s ability to identify, monitor and analyze emerging issues and their implications to agency operations and work performed for Congress.

“The CSF’s focus on strategic foresight reflects the full scope of GAO’s oversight mission across the federal enterprise, the agency’s mission to support Congress and its core values of independent, non-partisan analysis,” Blockwood said.

Consisting of strategic foresight experts (Fellows) from around the world, the CSF held its first meeting in January to discuss the evolving nature of identity and other trends with the potential to significantly impact the nation—as individuals, organizations and governments.

Long gone are the days where dates of birth, fingerprints or social security numbers are the sole means to identify individuals. Today, our faces, our voices, even the way we drive and browse the internet can be used to quickly identify us.

Dodaro, who opened the inaugural meeting, pointed out that cybersecurity has been on GAO’s High Risk List since 1997 and stressed, “Protecting privacy and sensitive data is one of the four major challenges GAO has identified related to cybersecurity.”

Dodaro also underscored the importance of GAO foresight activities, particularly in planning efforts where CSF experts complement current GAO advisory entities and organizational initiatives.

CSF Fellows noted several opportunities and challenges when it comes to identity and its evolution. Worldwide, credible digital identity systems help assure access to essential government services; however, potential risks to privacy and civil liberties lurk, particularly in cases involving a few large players with unprecedented access to data who operate in an environment where government policy does not keep pace.



**CENTER FOR
STRATEGIC FORESIGHT**
U.S. GOVERNMENT ACCOUNTABILITY OFFICE

What if the public sector was more involved?

Jens Wandel, CSF Fellow and Special Adviser to the United Nations Secretary-General, believes, "If citizens see the public sector regulating and using data for good purposes, then citizens will be more likely to accept it, but if they see data being abused or excessive risk exists, then there will be problems."

"Governments must use data correctly to enhance benefits and value. This is a global problem, not just a first-world problem," he added.

CSF goals and activities are designed to be impactful and inspirational.

"We are confronting deep global uncertainties across a myriad of sectors, and there has never been a more urgent need for strategic guidance at the highest levels of government," remarked Amy Webb, a futurist, author and professor at New York University's Stern School of Business.

She added, "It is my civic duty, and my honor, to serve as an inaugural Fellow in the Center for Strategic Foresight."

A strictly nonpartisan organization, the CSF is uniquely positioned to act as a central hub for research, data-driven models and strategic assessment. The CSF's nine Fellows represent a diverse set of global experience providing expertise in foresight, planning and futures studies from government, private sector, non-governmental, academia and international organizations.

Stephen Sanford, CSF Director and GAO's Strategic Planning and Innovation Manager, said the CSF Fellows "count among the world's top experts in strategic foresight, and we are very pleased to have them support an effort that is an important pillar to the broader foresight ecosystem we've been building at GAO."

The CSF was established in 2017, and the Fellows were selected in 2018. They will serve a two-year, renewable term.

CSF FELLOWS 2018-2020



ROSEMARIE FORSYTHE

Former Director, Exxon Mobil's International Political Strategy; former Director, National Security Council Russian, Ukrainian, and Eurasian Affairs



ANDY HINES

University of Houston Head of graduate studies and Assistant Professor of Foresight; "Thinking About the Future and Teaching About the Future" co-author



OCTAVIO HINOJOSA-MIER

Executive Director, National Hispanic Corporate Council; former Vice President, Government Relations and Strategic Partnerships at Cultural Strategies



BRIAN J. MASTERSON, MD

Senior UnitedHealth Group Behavioral Health Medical Director; former Chief, U.S. Air Force Clinical Medicine; founder of Federal Health Futures Group



CATARINA TULLY

Co-founder and Director, School of International Futures; Director, FromOverHere and Director, NHJ Strategic Consulting



KRISTEL VAN DER ELST

Co-Founder & CEO, The Global Foresight Group; former Head of Strategic Foresight at the World Economic Forum



JENS WANDEL

Special Adviser to the United Nations (UN) Secretary-General; former UN Development Program Assistant Administrator (Assistant Secretary-General)



AMY WEBB

Professor at NYU's Stern School of Business and Founder of the Future Today Institute; Author of "The Signals Are Talking"



ANGELA WILKINSON

Senior Director of the World Energy Council; former Head of Strategic Foresight at Organisation for Economic Co-operation and Development (OECD)

News from Bulgaria



BNAO AUDITS URBAN ARCHITECTURAL HERITAGE PRESERVATION

The deprivation of Bulgaria's valuable architectural heritage has become particularly noticeable in recent years, as many architectural sites are in ruins and hundreds more have been demolished and replaced with new buildings that do not fit into the surrounding environment. As a result, old neighborhoods have lost the historic identities that once attracted tourists.

The Bulgarian National Audit Office (BNAO) recently completed an audit of the Ministry of Culture and the National Institute for Immovable Cultural Heritage with a focus on analyzing:

- Necessary conditions for architectural asset preservation and maintenance;
- Activities associated with identifying, declaring and granting cultural value status; and
- Monitoring and control activities.

The audit, which covers the period from January 1, 2015 to June 30, 2018, aimed to provide an independent, objective assessment on preserving and maintaining historic

structures and raise awareness about the current state of architectural treasures and issues related to keeping them in good condition for future generations.

The BNAO audit resulted in several findings, including:

- Conservation and maintenance efforts are neither efficient nor effective and are not well-regulated or monitored;
- An absence of strategic documents creates ambiguity on the state policy's vision, objectives and priorities;
- The national system is not fully established; the principle of its decentralized management has not been implemented, and coordination among relevant bodies is lacking;
- There are serious omissions in conservation management, resulting in key outstanding issues that, if not addressed, could lead to irreversible loss;
- Due to insufficient resources, some essential activities have not been implemented, while others are carried out in very limited volumes;
- More than 90% of the the immovable cultural values have not been assessed, and no regimes for their protection have been established; and
- The National Documentary Archive is in urgent need of updating and digitization—it currently does not meet regulatory requirements.

To learn more about the BNAO and its activities, visit www.bulnao.government.bg.

News from Kuwait



- Experts from the U. S. Government Accountability Office Center for Audit Excellence delivered a training program to State Audit Bureau (SAB) of Kuwait staff on planning and conducting performance audits. The program, held in SAB headquarters March 10-21, 2019, was based on the project agreement signed between both parties late last year.
- The SAB signed a cooperation agreement with the Turkish Court of Accounts (TCA) during a TCA visit to SAB headquarters in December 2018.
- The SAB visited the Court of Audit of Morocco and the State Audit Institution of Oman recently. The official trips also included site visits to the International Renewable Energy Agency's Photovoltaic Power Station "Noor" (NOORPV1) and the Petroleum Development Oman Company's Miraah Project for Solar Energy. As part of the SAB Strategic Plan 2016-2020 objectives, the visits focused on gathering data on renewable energy as part of supporting and developing institutional capacities.
- The SAB hosted the Premier President of Tunisia's Court of Accounts (COA), as well as the Secretary General of the Arab Organization of Supreme Audit Institutions (ARABOSAI) in January to explore cooperation between the SAB and the COA and discuss progress in supporting ARABOSAI and other key stakeholders.
- SAB delegates participated in several meetings and training events, including the third Forum of Supreme Audit Institutions with Jurisdictional Functions hosted by the TCA; 2019 Integrity Seminar held in Hungary that highlighted the most challenging integrity issues with a focus on contracting and procurement practices; and the Financial Audit and Accounting Subcommittee meeting in Abu Dhabi, United Arab Emirates.
- As part of the SAB's cooperation with the National Audit Office of Estonia, the SAB hosted a joint symposium on "Waste (Medical and Hazardous) Management Issues" and "Marine Pollution and its Effects on Fisheries Stock" March 25-27, 2019, at the SAB headquarters.
- The SAB launched the 20th Annual Research Competition across all SAB sectors. The 2019 competition includes five individual, five joint and two group categories.

News from United Arab Emirates



SAI UAE HOSTS ASOSAI MEETING ON SDG IMPLEMENTATION EFFORTS

The United Arab Emirates (UAE) Supreme Audit Institution (SAI) hosted the first Asian Organization of Supreme Audit Institutions (ASOSAI) meeting on using big data analysis in reviewing national Sustainable Development Goal (SDG) implementation. The event was held at SAI UAE headquarters in Abu Dhabi and included delegates from 15 SAIs who met to develop strategies and practices in reviewing national performance in implementing the SDGs.

Dr. Harib Saeed Al Amimi, SAI UAE President and Chairman of the International Organization of Supreme Audit Institutions (INTOSAI), opened the meeting by emphasizing the SAI's significant role in INTOSAI SDG initiatives. He also stressed a desire to continue sharing knowledge and experiences with SAIs in the region.

The two-day seminar included a presentation from the UAE Federal Competitiveness and Statistics Authority, which focused on organizational and national roles in coordinating necessary work for SDG achievement. Workshops highlighting SAI roles, audit methodologies and practices, strategic planning, as well as public information management, allowed participants to formulate proposals, recommendations and best practices.

INTOSAI, UNODC DISCUSS SYNERGIES, COOPERATION IN FIGHTING CORRUPTION

Dr. Margit Kraker, INTOSAI Secretary General and President of the Austrian Court of Auditors, and Dr. Harib Saeed Al

Amimi, INTOSAI Chairman and SAI UAE President, met with John Brandolino, Director of the United Nations Office on Drugs and Crime (UNODC) Division for Treaty Affairs.

The meeting, which took place at UNODC headquarters in Vienna, included a discussion on harnessing synergies and enhancing cooperation, particularly in the fight in against corruption. The two organizations envisage signing a Memorandum of Understanding at the 72nd INTOSAI Governing Board meeting in Moscow later this year.

SAI UAE PARTICIPATES IN CONFERENCE ON COMBATING CORRUPTION, STRENGTHENING INTEGRITY

SAI UAE participated in an international conference earlier this year organized by the Kuwait Anti-Corruption Authority. The conference, dedicated to "Integrity for Development," brought together global organizations to discuss best practices, promote cooperation and exchange experiences in establishing and cultivating transparency, integrity and anti-corruption initiatives.

The conference included several sessions that highlighted national anti-corruption strategies; successful public sector practices in preventing corruption; the importance of integrity in supporting economic reforms and improving decision-making; transparency and its role in strengthening trust; and monitoring integrity and corruption and the impact these concepts have on achieving the SDGs.

News from Peru



SAI PERU EMPLOYS INNOVATIVE MEASURE TO PROMOTE INTEGRITY AND TRANSPARENCY

Last year, a law was enacted to strengthen Peru's Supreme Audit Institution (SAI) and National Control System (NCS), marking a historic milestone in the fight against corruption in the Peruvian State. Since then, SAI Peru has implemented a series of measures to modernize and fortify supervisory capacities in the use of public goods and resources and combating functional misconduct and corruption.

To promote integrity and transparency, SAI Peru is employing a new measure—Filing Sworn Statements to Manage Conflicts of Interest—aimed at preventing conditions that may affect audit work independence and objectivity. While the initial implementation has been rolled out to the more than 7 thousand public officials and civil servants employed by SAI Peru and the NCS, the goal is to extend this practice to the entire public sector (a projected reach of 1.5-2 million).

The statements contain the declarant's personal and labor data, educational level, information on financial assets and political affiliations, among other aspects. As the sworn statements contain confidential information, SAI Peru will ensure adherence to appropriate privacy rights protection.

As part of the recently enacted law, this new measure is based on International Standards of Supreme Audit Institutions (ISSAI) 21, which outlines the principles of transparency, responsibility and good practices; ISSAI 30, Code of Ethics, specifying SAI personnel are to be free from impediments affecting independence and objectivity; and Peruvian law covering Civil Service Code of Ethics requiring officials and public servants to act with rectitude, trustworthiness and honesty.

For more information about the law, contact the SAI Peru at cooperacion@contraloria.gob.pe.

News from Poland



SAI POLAND CELEBRATES 100 YEARS OF PUBLIC SERVICE, PARTNERSHIPS

In 2019, the Supreme Audit Office of Poland (NIK) celebrates the centenary of its establishment. As part of the celebratory events, the NIK hosted an international conference on “The Role and Challenges of the State Audit in the Modern World” where members from the International Organization of Supreme Audit Institutions (INTOSAI), European Organization of Supreme Audit Institutions (EUROSAI) and the European Court of Auditors (ECA) came together to share views on public auditing goals—current and future.

NIK President, Krzysztof Kwiatkowski, opened the event by sharing the NIK's rich history and expressing gratitude to staff—dedicated experts who contribute to organizational achievements through knowledge and expertise.

Throughout the conference, independence, transparency, and reliability proved to be common themes, and participants pointed to a need for strengthened cooperation among Supreme Audit Institutions (SAIs) and improved stakeholder relations in the face of modern world challenges.

“State auditing in the modern world is much more than ensuring budget spending follows the rules. I think it is equally important that tax money spent delivers value to the citizens,” noted Klaus-Heiner Lehne, ECA President.

In addition to adding value, attendees cited the need to enhance audit processes to remain relevant—by investing in contemporary technologies and improving transparency. Developments, such as artificial intelligence, blockchain, machine learning and quantum computing, are transforming the world of audit, and Dr. Harib Saeed Al Amimi, INTOSAI Chairman and President of the United Arab Emirates State Audit Institution, concluded that “auditors should be innovative and open to new tools and solutions.”

EUROSAI Chair and President of the Turkish Court of Accounts (TCA), Seyit Ahmet Baş shared his perspective improving audit work through SAI efforts in preparing and publicizing consolidated monitoring reports on measures taken by institutions in response to audit recommendations.

Kwiatkowski stressed the importance of continuously improving internally to be able to competently advise other institutions and remarked on the advantages SAI cooperation brings through an exchange of experience and best practices. In his closing remarks, Kwiatkowski remarked on the event's inspirational value.

“I am convinced that we will recall the words, views and opinions heard here, and that we will use them in our future work.”

The Heads of European Union SAIs will celebrate the NIK's centenary during the Contact Committee meeting scheduled for June in Warsaw.

News from Slovenia



REPUBLIC OF SLOVENIA
COURT OF AUDIT

ANNUAL REPORT 2018



TURN PAGE

COURT OF AUDIT ISSUES RESULTS, SHARES INITIATIVES TO ENHANCE SUSTAINABILITY

by Tomaž Vesel, President, Court of Audit, Slovenia

Supreme Audit Institution (SAI) independence can be compared to the roots of a tree—the more deeply rooted, the stronger the tree. Independence is a precondition enabling state bodies to efficiently exercise powers that provide value and benefits to the lives of citizens. In today's rapidly changing environment, Slovenia's Court of Audit, the nation's SAI, must be responsive to key public finance challenges while following the principles of good governance and sustainable development. Our audit work, international relations and communications efforts are essential mechanisms supporting this endeavor.

Last year, we issued 62 audit reports and two summary reports that considered 102 auditees and 689 implemented corrective measures (a considerable improvement from previous years). Annual figures also show a decline in people anonymously reporting issues to be audited, perhaps indicating increased confidence in the work we do and services we provide. While 168 written responses point to a need for public sector entities to have better guidelines for work, we are eager to increase our advisory services (a function often overlooked by public institutions).

We published 26 post-audit reports in 2018 that included assessments on 139 corrective measures—91 were found to be adequate, 30 partially adequate and 18 inadequate. Moving forward, we strive to focus on areas where corrective measures were not (or will not be) fully adequate. We also aim to monitor the planned corrective measures designed to improve operations in the medium term.

Internationally, we continue strengthening relationships and cooperative efforts. We actively participate in the Organisation for Economic Co-operation and Development (OECD) Auditors Alliance; continue an exchange of audit practices with other SAIs, such as our auditor secondment agreement with SAI Malta; and, we work closely and collaboratively with regional counterparts, committees and programs as part of the European Organization of Supreme Audit Institutions (EUROSAI).

We adjusted our communications to broaden our audience and capitalize on digital trends that continue to transform our work and our society. Modern, fast, simplified—we revamped our website (<http://www.rs-rs.si>) to provide faster, up-to-date information and functionalities. We began designing press releases with stakeholders in mind by providing audit report summaries along with an infographic to easily convey complex and lengthy information. Social media engagement expanded our reach, and we continue to share information and experiences with the global audit community through articles and news appearing in the International Journal of Government Auditing and EUROSAI Magazine.

In watching over how our public resources are utilized, we are caring for our future, much like cultivating a tree. We planted a tree, donated by SAI employees, in front of our building as a symbol of the roots we will establish (and grow) as we continue to exercise good governance and promote sustainability.

News from Angola



NEW JUDGES APPOINTED TO COURT OF ACCOUNT

In accordance with constitutional powers and in keeping with the proposal of the Judiciary Superior Council, the President of the Republic, João Lourenço, appointed new COA judges in an official ceremony at the Presidential Palace in June 2018. Dr. Exalgina Renée Vicente Olavo Gambôa assumes the role as COA President, and Domingas Alexandra Garcia now holds the position of COA Vice President.

"We intend to establish close cooperation with all audit institutions, so that all work can be transparent," stressed Dr. Gambôa.

President Lourenço expressed confidence in the capabilities of the appointed judges and stated, "They are in a position to face the challenges for the good of national justice and democracy."

PUBLIC FINANCIAL MANAGEMENT REPORTING FRAMEWORK WORKSHOP WITH GIZ, AFROSAI-E SUPPORT

As part of a project conceived by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the African Organization of English-Speaking Supreme Audit Institutions (AFROSAI-E), a three-day workshop on the Public Financial

Management Reporting Framework (PFM RF) was held at COA headquarters. The training, attended by staff representing all COA levels, focused on the PFM RF tool's fundamental principles, origin, utility and benefits while incorporating local, real-time data.

Dr. Exalgina Gambôa, COA President, offered opening remarks, where she cited the PFM-RF as an extraordinary support instrument in inspecting public finance and financial management.

COOPERATION AGREEMENT SIGNED WITH SÃO TOMÉ AND PRÍNCIPE

On February 15, 2019, Angola's Court of Accounts (COA) signed a technical and scientific cooperation agreement with the São Tomé and Príncipe COA.

Dr. Exalgina Gambôa, President, Angola's COA, said the agreement "promotes action, emphasizes the importance of partnerships and highlights the work of both Supreme Audit Institutions (SAIs) within the region and globally as part of the International Organization of Supreme Audit Institutions (INTOSAI)."

The President of São Tomé and Príncipe's COA, Dr António José Monte Cristo, affirmed that the cooperation agreement between the two SAIs generates tremendous opportunities for exchanging information and experiences, particularly in technical training aspects.

Tool

SPECIAL THEME: ANTI-CORRUPTION, GOOD GOVERNANCE



*by Arūnas Dulkys, PhD, Auditor General,
National Audit Office of Lithuania*

GOOD GOVERNANCE: A LOOK INTO THE FREE- RIDING PHENOMENON

Once upon a time in the Bulgarian city of Gabrova, the renowned capital of humor, each citizen agreed to bring a bucket of good wine, pour it in one large barrel, and present it as a gift at the city's festival. When the first ladle of the festive wine was tasted, it was apparent...the barrel held nothing but pure water.

Some citizens do not contribute to the common public good. This global phenomenon, free-riding, is widespread, often manifesting itself in several forms, such as not voting in elections or evading taxes. States themselves may also be guilty of free-riding (when not paying proportional contributions to help solve international problems yet still reaping the benefits of positive outcomes).

Is free-riding really detrimental to anyone? Undoubtedly, yes. And, the higher the level at which free-riding occurs, the greater its destructive power. Mistrust forms a breeding ground for free-riding, which makes maintaining the social contract between citizens and the State next to impossible. While deliberate free-riding is easy to pinpoint, less obvious free-riding can occur when incomplete or partial information exists. This information gap leads to uninformed decisions, thus turning the information age into the age of disinformation.

For example, national budget decisions based solely on revenue and expenditure cash flows (without analyzing net asset values) can be problematic, as these figures do not demonstrate true worth. This beckons the questions, “Are the right decisions being made? Do we really know our State?”

Perceptions and attitudes toward the State differ—some see it as a problem rather than a problem-solver. Others recognize its potential positive economic role. Despite varying views, a survey commissioned by the National Audit Office of Lithuania (NAOL) and conducted by Vilmorus, a Lithuanian-based market research company, indicated citizens believe there is a clear need for the State (90% of respondents selected “need” or “partial need” on the survey). Additionally, nearly 60% felt, to the extent possible, they personally contribute to State-building.

Knowledge on how the State spends tax money also differs. Approximately one-half of the survey respondents believed the most significant share of public funds were allocated to security and defense, and a much less sizable portion was used to administratively maintain the State. In reality, security and defense received the smallest allocation. The largest sum (roughly 70%) was set aside for public welfare, including education and health care.

This lack of awareness demonstrates an information disparity that shapes public perception and potentially discourages willingness to contribute to the common public good. People are more likely to support the common cause if they feel

the contribution is fair, honest, and equitable (everyone else is doing the same). Therefore, examining several examples from public audits about what is known, and, perhaps more importantly, what is unknown, is essential to creating an environment that encourages participation and discourages free-riding.

Public Projects. Every year, hundreds of new projects are launched without assessing how many have already begun, and sometimes that same amount are brought to a standstill, resulting in postponed implementation deadlines and frozen funds (figures nearing €230 million in 2015). To date, about a third of the projects have dragged on for over a decade, and the approximate value of those launched but not completed is approaching €10 billion.

State-Owned Real Estate. Records concerning State-owned real estate are equally as controversial. While real estate amounts to more than 10 million square meters, truly objective figures are non-existent primarily due to varying formulas used for calculation (sometimes real estate is divided by total number of public sector staff; sometimes it is divided by the number of civil servants—a figure eight times smaller). The business world is surprised. The public is outraged. In reality, nearly 80% of State-owned real estate bears no direct relation to public sector working conditions, and most of it is low-value structures.

Education. An NAOL audit on general education published last year revealed a nationwide average of 34% of families employing private tutoring services for school-aged children. In larger cities, this practice is more frequent (upwards of 40%). Why should people entrust their taxes to the public education system if learning is outsourced to parallel shadow schools?

Practical Training Centers. In recent years, 42 sectoral practical training centers have opened. They are important, and no one doubts their relevance. The centers, furnished with state-of-the-art equipment, represent a €120 million investment, and, so far, the extent of training in most centers has not reached even half of the planned hours (one center has conducted no training at all). Public auditors have questioned additional proposals to allocate €50 million for further infrastructure development of these seemingly underused resources.

Health Care. Life expectancy in Lithuania is the shortest of all European Union (EU) countries (six years behind the EU average). What does this suggest? That we don't provide enough treatment? That the quality of treatment is poor? On the contrary, we are ranked second in the EU when it comes to hospital bed availability. We have more doctors than

the EU average, but we do not have standard procedures to handle treatment for 80% of diseases. Moreover, we do not record 60% of the adverse side-effects, making it impossible to learn from mistakes. We buy tons of expensive medical equipment, but 59% of it is not fully utilized, and 7% is not used at all. A majority believe the primary health sector problems stem from long queues and waiting lists.

Telecommunications. Electronic communication networks in Lithuania account for approximately 20,000 kilometers of physical infrastructure. Over the last four years, some €40 million was spent on infrastructure development, while an additional €30 million has been earmarked for maintenance. No single organization is responsible for coordinating national network development, which may account for the duplication of an estimated 4,000 kilometers of physical infrastructure. Until 2020, an additional €90 million has been planned for infrastructure development.

Business Oversight Authorities. Very little is known. Today there are 56 such authorities; however, not one government report includes any activity analysis, extent to operational efficiency, or costs. Preliminary estimates show business oversight annually receives an estimated €230 million from the budget. The exact figures remain unknown. In this context, it is not surprising to hear dissatisfied rumblings on contributing tax money to funding such activities.

What if no one paid taxes anymore? Was it worth talking about free-riding at all? When too little time and attention is given to facts and the conceptual discussion of public problems, the threat of mistakes in strategic decision-making increases. These mistakes are followed by huge expenses. Facts can be boring and often difficult to understand and remember. Facts can be unattractive. Facts can be threatening, as they summon the need to take responsibility. Balancing the needs of "me" and "us" is crucial to improving the quality of life, which requires uniting the public and private sectors.

In asking how well we know our state and seeking answers to that question, it's not just a quest for numbers. It's what we do once we have that data. Far from merely showing how Lithuanian funds or assets are managed, this article sheds light on free-riding by illustrating instances where disinformation impacts the ability to make informed decisions, which, in turn, hinders our ability to exercise good governance and creates a State that is not sustainable.

If the State finds itself filled with 100% free-riders, there will be 0% State left.



BANKING OVERSIGHT: DEVELOPING A USEFUL SAI FRAMEWORK

by Ghorban Eskandari, Senior Auditor, Supreme Audit Court of Iran

Corruption and Fraud—The Issue

Corruption and financial fraud are very challenging issues within the banking system that can inflict irreparable harm to a nation's development and growth. The potential widespread and destructive effects can reduce social capital and increase poverty, social injustice and class divisions.

The banking system will continue to face these issues far into the future until successful counteraction initiatives are implemented.

Basic banking oversight concepts and principles have been expressed in the Basel III framework, an internationally agreed upon set of measures created in response to the

financial crisis of 2007-2009 that aim to strengthen bank regulation, supervision and risk management.

A multifaceted issue, oversight in the banking sector requires the cooperation of various regulatory bodies, each performing tasks according to individual organization mechanisms and objectives.

While these regulatory agencies and various monitoring structures are in place, the world economy remains exposed to financial abuse, and evidence points to inefficient banking systems and weak regulatory procedures and guidance.

A Study to Determine a Successful Framework

This article discusses appropriate frameworks through a study, "Surveillance Authority of Supreme Audit Institutions (SAIs) in the Banking Sector," that assessed the status quo and identified potential mechanisms to achieve favorable situations.

Research Methodology. The study used a qualitative approach to identify, analyze and report patterns within the data. An open-ended interview of 21 local experts (selected using the snowball sampling method) was the primary tool to gather data. The research was conducted using a four-phase process:

1. Identify goals and identify the status quo;
2. Formulate concepts governing regulatory framework design;
3. Analyze pathology and problems in the banking field; and
4. Gather additional data through expert interviews and reach a consensus on a financial monitoring framework.

Study Findings. Every oversight system requires determining specific objectives and identifying the responsibilities and activities necessary to achieve them. Study results showed that a key challenge for SAs within the banking sector tends to be unidentified goals, which means associated tasks and responsibilities are also unclear.

Additionally, oversight activities should be updated as changes occur in the environment, since these changes can impact and influence banking oversight on many levels—economically, organizationally, socially, culturally and politically.

The study also identified several factors resulting in, hampering, or completely preventing successful banking sector oversight, including:

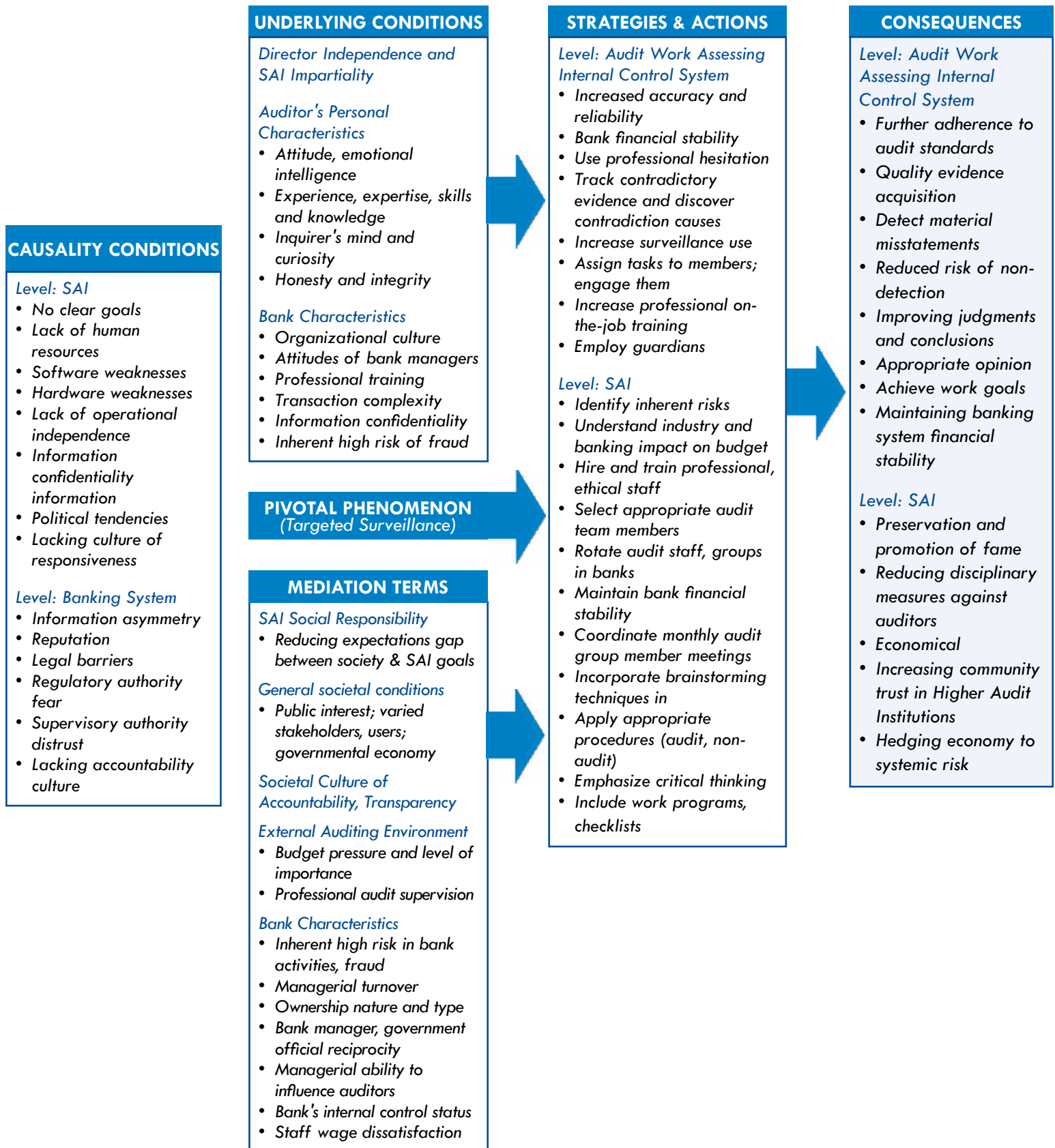
- Auditors lacking a comprehensive understanding of bank operations;
- The volume of regulatory bodies;
- Organizational expansion cost reduction measures negatively impacted efficiency and effectiveness; and
- Oversight authorities potentially limited by mandates, available human resources and facilities, and participating in investigations and/or audits having no real purpose (simply justifying existence or creating false needs for expansion).

Study findings, combined with extensive research, resulted in developing an oversight framework (see Figure 1 on following page) that incorporates conditions, concepts, activities and potential consequences attributable to, and affecting, SA audit work in the banking sector, such as:

- The **pivotal phenomenon**, or main theme, derived from the study is targeted surveillance (monitoring).
- **Causality conditions** are events that create situations and issues related to the phenomenon. These conditions, to an extent, also explain how and why individuals and groups engage in this phenomenon.
- To address **underlying conditions** (internal and external characteristics considered primary challenges to the audit), factors affecting targeted monitoring were identified.
- **Mediator conditions** are macro and general conditions that influence the effect of causal conditions on the phenomenon under study.
- **Strategies** are the key activities auditors consider and use.
- Finally, in the context of possible outcomes, expected results, **consequences**, stemming from strategies and actions were identified.

For more information about the study, research and supervisory framework for SAs in the banking sector, email the author at ghorbaneskandari@yahoo.com.

FIGURE 1: SUPERVISORY FRAMEWORK FOR SAIS IN THE BANKING SECTOR



DETECT FRAUD, IMPROVE INTERNAL CONTROL USING POPULAR STRATEGY, PERFORMANCE TOOL

by Estrella Rivera, Supreme Audit Institution Ecuador

Research suggests a principal cause of fraud to be a weak, limited internal control system. In Ecuador, the nation's Organic Criminal Code (COIP) addresses fraud and crimes against public administration, and the COIP considers embezzlement, illicit enrichment, bribery, and influence peddling among the primary forms of corrupt activities. These crimes, generally discovered through audit interventions and/or complaints, demonstrate the need for a robust internal control system.

An internal control system aims to (1) comply with legal, technical and administrative order; (2) promote an entity's efficiency and effectiveness; (3) guarantee information reliability and timeliness; and (4) take appropriate measures to correct control deficiencies.

In addition to strong internal controls, the auditor's role in detecting fraud is crucial, as the auditor evaluates internal controls to prevent risk; promote efficiency, effectiveness, transparency and economy; protect assets and public resources; and mitigate possible fraud.

Several organizations have tried to standardize the internal control concept, including the Committee of Sponsoring Organizations (COSO) Tradway Commission, whose report stresses the need for internal

control to be incorporated into organizational objectives and strategies. For Ecuadorian public institutions, this approach is envisioned in the national agenda (Agreement 39-CG-2008), which cites the following as necessary internal control components:

- **Control Environment.** An environment including principles of integrity and ethical values governing the company.
- **Risk Evaluation.** Defining objectives; risk identification and evaluation; determining risk management; probability of fraud; and evaluating events or changes affecting the internal control system.
- **Control Activities.** These activities refer to policies and procedures established to reduce risks that may affect achieving objectives.
- **Information and Communication.** The information necessary for the entity to carry out internal control responsibilities that support achieving outlined objectives.
- **Supervision Activities.** Self-control activities incorporated into the supervisory and monitoring processes that are designed to evaluate and improve operations.

Given the intricacies of the internal control system, this article describes incorporating the "Balanced Scorecard" (scorecard) method during the evaluation process to reduce audit complexity and facilitate fraud detection.

The scorecard has traditionally been employed as a strategic planning tool—measuring organizational performance and evaluating corporate goal achievement. Based on both financial and non-financial indicators, the scorecard is a flexible tool that lends itself to internal control component integration.

The tool's flexibility also facilitates detecting fraud because of its ease of application and evaluation.



FRAUD

Combining the scorecard method with audit and documentary forms, an internal control evaluation matrix was developed that: (1) generates questions (by areas of application) for an organization's administrative and financial management; (2) establishes weight (importance) and level of occurrence; and (3) defines key performance indicators along with respective parameters, ranges, levels or thresholds from which alerts are generated or triggered in the control panel (similar to a traffic signal).

This tool facilitates recognizing risk situations that can lead to fraud; helps detect (with greater precision) people involved, controls that may have been violated and possible resources affected or economic damage caused; and optimizes time and ability to make audit work more effective.

To demonstrate the tool's practical application, the below example provides in-depth situational questions, indicators and weights potentially suggesting fraud:

1. *Are there pre-numbered or pre-printed forms to control the income?* No. Frequency: Daily; Weight: 10; Likely; Indicator: Forms.
2. *Is the deposit of securities in financial institutions made within 48 hours after collection?* Yes. Frequency: Daily, Weight: 10, Very Likely; Indicator: Bank Deposits.
3. *Are collection reports made daily?* No. Frequency: Daily; Weight: 10; Very Likely; Indicator: Reports.
4. *Are deposited values versus collected ones reconciled daily?* No. Frequency: Daily; Weight: 10; Very Likely; Indicator: Conciliations.
5. *Are there differences between the values collected and deposited?* Yes. Frequency: Daily; Weight: 10; Likely; Indicator: Conciliations.

The negative responses to questions 1 and 4 and positive response to question 5 may suggest the occurrence of a malicious act (embezzlement). To confirm the assumption, the auditor should gather necessary, pertinent and sufficient evidence as a probative element of the determined findings.

This tool also allows for information tabulation and processing to develop reports by component, making it possible to measure risk and confidence levels. Subsequently, components can be ranked to demonstrate the critical nature

of each component and interference with organizational objectives. Identifying the most critical factors (based on rank) provides the foundation for an improvement plan where essential recommendations to correct observations are formulated to strengthen the internal control system.

Conclusions

Fraud raises questions about audit work's responsibility and scope, as well as the auditor's role in fraud detection. Therefore, special attention must be paid to the entity's assessment methodology and the sufficiency of the applied audit procedures.

Accordingly, auditors can combine management tools with internal control components to reduce audit complexity and prevent fraud. To that effect, the balanced scorecard method can help analyze financial and non-financial indicators. These indicators, combined with evaluating internal control components, assist in risk identification and fraud detection.

Applying an internal control tool based on the balanced scorecard should be complemented by collecting sufficient, relevant and competent evidence. Likewise, to ensure a functional evaluation methodology, the matrix must be adapted for each audited organization to consider legal basis, legal nature and related regulations. Measurement guidelines must also be clearly established.

Assessment results will provide reliable information regarding internal control effectiveness and/or weaknesses, allowing for adequate definition of recommendations and corrective actions.

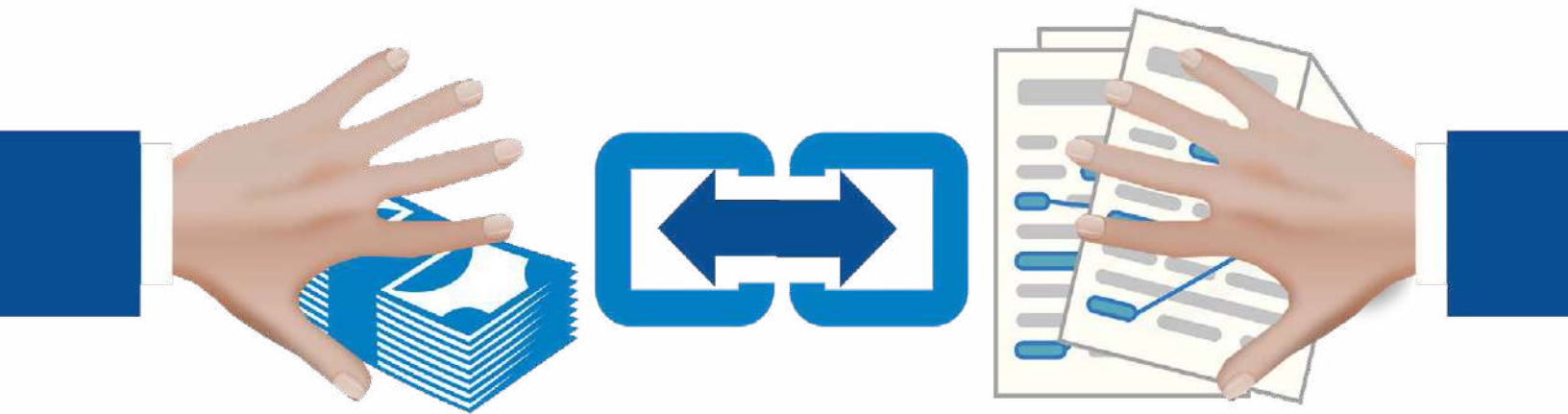
As preventive measures, an institution's top management must promote a high degree of integrity, honesty and ethical behavior and design and disseminate appropriate procedures and codes that consolidate transparency that is reinforced by training actions, active and continuous supervision, and the execution of effective internal controls.

Click each icon to view examples.

Balanced Scorecard

Weighting Scheme

CORRUPTION AND MONEY LAUNDERING:



THE NEXUS AND THE WAY FORWARD

by Sammer Ahmad, Office of the Auditor General Pakistan, Lahore Office

The Concepts Defined

Corruption and money laundering demoralize human development, international security and national economies. According to the World Bank and International Monetary Fund (IMF), corruption is the greatest hurdle to lifting millions of people from destitution. Money laundering invigorates corruption, as it does all profit-driven delinquencies.

Corruption and money laundering are mutualistic—they typically occur together. Yet, perhaps more significantly, the presence of one tends to produce, and reciprocally support, the occurrence of the other.

The United Nations Convention against Corruption (UNCAC) is more precise in defining corruption as “the active and passive bribery of domestic and foreign public officials, as well as officials from international organizations; the embezzlement or diversion of public property by an official; trading in influence or illicit enrichment by public officials; and bribery and embezzlement in the private sector.”

While **active** bribery denotes the party making the inducement, **passive** bribery represents the party receiving

it. This holds true even if advances are rejected and no give-and-take occurs; it is the intent that matters.

Additionally, offering kickbacks through an intermediary related to the target is also deemed to be a corrupt activity, as are officials who steal public property (embezzlement) or favor friends or family in discharging their duties (nepotism). While corruption, generally comprises monetary stakes, money is not a requirement.

Corporations can also be held criminally accountable for corruption, though the criminal liability of parent companies for criminal acts of subordinate firms is less clear. There is growing consent that corruption can also materialize between two private firms (in the past, labeling activities as corrupt presumed the involvement of government officials).

Money laundering, the process of concealing illegal origins of money derived from crime, occurs after a predicate offense has brought the capital into the hands of criminals. The practice has taken on an increasingly international status with the growth of cross-border crime and progress of legitimate international trade and finance. Though offenders have faced a growing number of obstacles returning “dirty money” to home countries, ample opportunities still exist by leveraging globalized financial sectors.

Questions concerning the effectiveness of current Anti-Money Laundering (AML) policies have also been raised. A study in Britain, a nation possessing some of the world's toughest AML policies, indicated the cost to laundering money is, on average, a mere 15 percent of the principal amount.

The Relationship and Current Mitigating Mechanisms

For most countries, successfully dealing with corruption and money laundering collectively is difficult to accomplish as the close relationship between the two concepts tends to be historically and bureaucratically skewed. Often, policy groups and institutions are created to fight a multitude of offenses without bearing related, yet distinct, missions.

AML Financial Intelligence Units (FIUs) believe corruption is outside their area of responsibility, and anti-corruption bodies believe similarly when it comes to money laundering.

Some international officials that oversee technical assistance in both AML and anti-corruption areas within the same country express the norm is for each body to have never heard of the other. Officials also suggest money laundering and corruption are not domestic priorities and believe that several developing countries are establishing anti-corruption laws, regulations and institutions simply to impress the global community rather than truly addressing the topics.

To date, there are a number of international organizations and projects that have been established to combat corruption and money laundering, including: the Organization for Economic Co-operation and Development (OECD) Convention for Combating Bribery of Public Officials in International Business Transactions; the joint United Nations Office on Drugs and Crime/World Bank Stolen Assets Recovery initiative; Asian Development Bank/OECD Anti-Corruption Plan for Asia and the Pacific; Financial Action Task Force; and Asia-Pacific Group on Money Laundering.

The Way Forward

Experts suggest the single most important tool in preventing corruption is a register listing public officials' (especially members holding ranking positions and members of anti-corruption bodies) assets and income. This register, which would be updated and audited regularly, forces officials to make a declaration of all assets and liabilities and creates

a benchmark that facilitates discovery of subsequent, large sums. Declarations may also include assets derived from spouses and immediate families, particularly those employed in sensitive, senior positions.

Given FIU roles in collecting, analyzing and disseminating financial intelligence, the proper handling of confidential information is acutely relevant, as unauthorized release of such data can have serious consequences. Past practices indicate information policies should incorporate provisions to classify sensitive information, and the "need to know" principle should be applied to regulate restricted information access. FIUs may also benefit from adopting risk management principles

that call for additional data safeguard integration, such as dual control and a general presumption of cross-checking, reviewing, and segregating duties and functions.

Judicial corruption also represents a severe threat to the proper functioning of AML policies and the justice system itself. Judges may be vulnerable to inappropriate influence, particularly

in environments where: (1) they are poorly compensated; (2) appointments and promotion procedures tend to be arbitrary or opaque; and (3) there is a general lack of anti-corruption training.

Circumstances in which a resolution to impeach high-ranking public officials for corruption lies with a minister or political appointee also generates a serious conflict of interest. In this perspective, prosecutorial authority should be an autonomous legal authority outside the government.

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"Experts suggest the single most important tool in preventing corruption is a register listing public officials' assets and income."

ERADICATING CORRUPTION: MEASURING AND MONITORING SDG PROGRESS

by Gunarwanto and Dedy Eryanto, Audit Board of the Republic of Indonesia

Introduction

In September 2015, nearly all United Nations (UN) member countries committed to the 17 Sustainable Development Goals (SDGs)—global goals created to steer policy making and development funding until 2030. Each goal is comprised of targets, and each target is further refined through one or two indicators designed to measure progress. Though global targets and indicators have been established for each goal, to what extent are they relevant and achievable?

This article highlights SDG16—promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels—paying particular emphasis to eradicating corruption and the ability to measure and monitor progress using a first-hand, real-world perspective.

Combating corruption, as outlined in SDG16, should be viewed as a keystone element to all SDG agendas. In 2017, Transparency International estimated more than 900 million people in the Asia-Pacific region alone paid bribes to access basic services like health care and education. This statistic illustrates additional complexities in achieving SDG3 (better health care) and SDG4 (better education) and demonstrates the pervasive threat corruption has on the entire SDG program.

Measuring Progress

SDG 16 contains 12 targets, one of which, target 16.5, focuses on corruption and bribery, calling upon nations to “substantially reduce corruption and bribery in all forms.” Target 16.5 contains two indicators to gauge progress:

- 16.5.1: Proportion of persons who had at least one contact with a public official and who paid a bribe to a public official, or were asked for a bribe by those public officials, during the previous 12 months.
- 16.5.2: Proportion of business that had at least one contact with a public official and that paid a bribe to a public official, or were asked for a bribe by those public officials during the previous 12 months.

The target seems quite broad and ambitious in its attempt to minimize *all* types of corruption. Meanwhile, the assigned indicators are, perhaps, too narrow, as (1) bribery is only one type of corruption; (2) current measurement criteria may only capture a small portion of the population; and (3) cultural and personal context and definitions can result in significant dissimilarities. These factors make monitoring any real progress extremely difficult.



Monitoring Progress

Data availability and objectivity represent two key aspects that making monitoring SDG16 progress next to impossible. Data is a crucial component to proving a program's success. Normally, a target contains specific criteria and indicators acting as parameters to compare reality (real facts) to the objective. Data meeting indicator requirements means the program is successful (and vice versa). However, evaluating progress is impossible when there is no data available. Moreover, subjective data can be misleading.

The Institute for Economics and Peace believes this is the case for SDG16, citing, as of 2017, "Currently, there is not enough official data or statistical capacity available at the national level to properly measure SDG16 in a cross-country comparable way."

By its very nature, corruption is a complex phenomenon with many dimensions that takes on many forms and usually occurs behind closed doors. Even when data is available, obtaining objective data represents a significant obstacle.

Some SDGs are also, inherently, multidimensional and cannot be measured using one or two indicators. Target 16.5 seeks a substantial reduction in corruption and bribery in all forms, but the approved global indicators measure bribery only between public officials and the public or businesses. There are no indicators to measure corruption within or between governments or other forms of non-governmental corruption.

The Indonesian Context

The Government of Indonesia (GOI) generally applies a strong SDG commitment to national development priorities. Yet, implemented regulations have not yet significantly reduced corrupt practices primarily because the current political system gives rise to businesses and political actors to practice corrupt behavior, such as candidates seeking election for public office who require campaign funding from third party sources.

Indonesia established a Corruption Eradication Commission that has uncovered some bribery cases originating from monetary support to campaigns. However, such detection is limited, since officials successful in bids for public office can simply provide kickbacks in the form of preferential treatment, which is a difficult trail to unearth, follow and source.

In terms of SDG Preparedness in Indonesian national policy coherence and integrity, the Audit Board of the Republic of Indonesia (BPK RI), the nation's Supreme Audit Institution, noted two key findings:

- GOI has difficulty making clear, vertical integration between central and local governments simultaneously due to varying public election periods. This creates a risk of intermittent policy and coherence at each governmental layer; and
- Most government agencies still perform using a silo mentality in budget execution, which causes coordination and monitoring concerns and results in a lack of data precision.

Indonesia's experience in combating corruption provides some valuable lessons learned in improving SDG implementation. As SDG implementation progresses, additional indicators relating to corruption eradication should be considered, particularly given the inadequacy of current measurements to demonstrate progress in such a broad target.

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*Mutual Experience
Benefits All*



IN MEMORIAM

*Michael Ferguson, Auditor General,
Office of the Auditor General of Canada*

It is with great sadness that the Office of the Auditor General of Canada announced the death of Michael Ferguson, Auditor General, on February 2, 2019.

Mr. Ferguson was appointed Auditor General of Canada on November 28, 2011. Prior to his appointment, he served the public in a variety of positions, including Auditor General, Comptroller and Deputy Minister of Finance in New Brunswick until his move to Ottawa to take on the role of federal Auditor General.

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"Much appreciated by his staff and respected by parliamentarians and government officials alike, Mr. Ferguson will be remembered by all those who had the pleasure of knowing him as a humble, compassionate and thoughtful man.

He cared deeply about conducting audits that brought value to the public service, always for the greater good of Canadians."

Office of the Auditor General of Canada

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"His deep conviction was that an Auditor General plays a unique role to encourage continuous improvement in the public service, not for the sake of it, but because, ultimately, all citizens—especially the most vulnerable among us—are entitled to governance that maximizes the public good.

He also believed that, as a leader, he had to foster a vision of collaboration among all the stakeholders who must work together to achieve results that truly make a difference. Mr. Ferguson did all this with professionalism, dignity and compassion. We will miss him dearly."

Canadian Audit and Accountability Foundation

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"The International Organization of Supreme Audit Institutions (INTOSA) lost a personality who, over many years, essentially shaped, influenced and strengthened government audit.

There is no doubt his work and expertise have influenced the international audit community and will continue to leave an imprint on INTOSAI."

INTOSAI General Secretariat



EUROSAI AUDIT METHODOLOGY EXPERTS UNITE TO DISCUSS COMMON CONCERNS

“This meeting aims to help SAI experts create connections within EUROSAI and develop ideas that expand activities in these areas. I hope this is just the beginning of a broader initiative, and that, in the following months and years to come, we will continue exchanging experiences, identifying challenges and inspiring positive change,” emphasized Krzysztof Kwiatkowski, President of Poland's Supreme Audit Institution (SAI).

Audit methodology experts from nearly 30 European Organizations of Supreme Audit Institutions (EUROSAI) SAIs gathered in Warsaw, Poland, late last year to attend the region's inaugural Audit Methodology meeting. Some 60

delegates participated in the two-day event hosted by SAI Poland to discuss issues related to Quality Assurance (QA), stakeholder communication and audit planning—three areas vitally important to SAI operations.

Kwiatkowski noted that the event also underlined analyzing EUROSAI member needs in terms of institutional capacity development.

Introductory thematic presentations sparked group dialogue on the potential risks (challenges) and anticipated needs (expectations)—each discussion resulting in a list outlining current hurdles and future requirements.



Quality Assurance

- Oft-cited risks included insufficient distinction between QA and Quality Control (QC) processes; extensive process formalization that may reduce audit process flexibility and effectiveness; and staff difficulty in accepting QA process outcomes.
- Common expectations delegates noted included raising awareness; resource provisioning; proper Information Technology (IT) development and timely use to support, enhance and monitor the QA process.

Stakeholder Communication

- Identified risks included the time gap between performing an audit and publishing the report, which disrupts expected communication impact; auditors lacking awareness of the SAI's communication obligations; and journalists (who may not be well-versed in audit speak) publishing superficial presentations that can negatively affect a SAI's reputation.
- Developing communication strategies, practical training on communicating audit findings, and a need for infographics templates for reporting were the primary expectations reported by participants.

Audit Planning—Strategic and Operational

- Strategically, prominent risks included insufficient public-sector knowledge and problems related to the length of time from topic adoption in annual work plans to the

actual audit. Operational planning risks comprise limited resources and planning issues.

- Delegates suggested clear explanations and criteria in defining strategic planning; ensuring data reliability; and establishing a connection between QA, strategic planning and communication on the strategic level. Operationally, providing a clear link between the organizational strategy and planning was identified as a principal need as were IT tool availability and a flexible organizational structure.

Access the full story, photos and video interviews with key participants at <https://www.nik.gov.pl/en/news/the-first-meeting-of-the-european-audit-methodology-experts.html>.

REGIONAL COOPERATIVE AUDIT ON AIR QUALITY YIELDS INSIGHTFUL REPORTS



Air pollution knows no borders, and recent statistics show that more than 85% of the citizens in European Union (EU) cities breathe air containing harmful chemicals.

This statistic prompted several Supreme Audit Institutions (SAIs) from the European Organization of Supreme Audit Institutions (EUROSAI) to join forces, and, along with the European Court

of Auditors, perform a cooperative audit on air quality. Participating SAIs, members of EUROSAI's Working Group on Environmental Auditing (WGEA), set out to evaluate individual state activities designed to improve air quality.

Each SAI—Albania, Bulgaria, Estonia, Georgia, Hungary, Israel, Kosovo, the Former Yugoslav Republic of Macedonia, Moldova, Netherlands, Poland, Romania, Slovakia, Spain, Switzerland—provided a national audit report. A joint audit report, presented to the European Commission in Brussels in mid-March, was also developed to provide consistent, comprehensive conclusions and recommendations.

“Thanks to the audits carried out in each country, we can simultaneously examine and evaluate activities of the

organizations responsible for protecting our air and compare applied solutions,” noted Krzysztof Kwiatkowski, President of SAI Poland, who, along with SAI Netherlands, coordinated the cooperative audit.

The cooperative audit addressed the unquestionable environmental consequences of air pollution while also allowing participating members to treat the audit as an important factor affecting individual national economies.

Access the joint audit report online:

- <https://www.nik.gov.pl/plik/id,19001.pdf>
- <https://www.rekenkamer.nl/publicaties/rapporten/2019/01/30/joint-report-on-air-quality>

Additional links to news and reports available here:

- <https://www.nik.gov.pl/en/news/international-audit-of-air-quality-in-europe.html>
- <https://www.nik.gov.pl/en/news/joint-report-on-air-quality-012019.html>



COOPERATIVE AUDITS SUBCOMMITTEE LAUNCHES VIRTUAL TRAINING



The International Organization of Supreme Audit Institutions (INTOSAI) Subcommittee on Cooperative Audits has developed a self-instructive virtual course, "Guidelines for the Execution of Cooperative Audits," earlier this year to address fundamental aspects related to cooperative audits executed between two (or more) Supreme Audit Institutions (SAIs). The course, designed to guide SAI staff in preparing, implementing and monitoring cooperative audits, is based on International Standards of Supreme Audit Institutions (ISSAI) 5800: Guide for the Execution of Cooperative Audits. The Subcommittee on Cooperative Audits officially launched this course on April 1, 2019, in the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) aimed at training one hundred SAI professionals within the region. The month-long course helps answer questions, such as:

- What is a cooperative audit?
- What are the differences between the types of cooperative auditing?
- How do SAIs select the topic of a cooperative audit?
- Is there a subsequent evaluation?

For more information about the course, contact the subcommittee at cooperacion@contraloria.gob.pe.

COOPERATIVE AUDITS SUBCOMMITTEE PROMOTES VIRTUAL CATALOG

At the September 2018 International Organization of Supreme Audit Institutions (INTOSAI) Governing Board meeting in Moscow, General Secretariats from the INTOSAI regions provided activity updates, and many regions expressed interest in conducting cooperative audits on topics ranging from water protection and waste management to climate change. To better disseminate valuable cooperative audit experiences that include themes relevant to the international community, the Subcommittee on Cooperative Audits invites the INTOSAI community to share experiences and best practices using the Virtual Catalog on Cooperative Audits at <http://www.intosai-cooperativeaudits.org/>.

The catalog, a useful reference source for Supreme Audit Institutions (SAIs) interested in conducting cooperative audits, also acts as a worldwide repository of completed cooperative audits. The catalog includes various filters to refine search results based on the user's needs. Currently, the catalog, available in English and Spanish, contains over a hundred audit reports resulting from cooperative audits, and SAIs can publish cooperative audit reports directly to the site by creating a password-protected account. To learn more about the virtual catalog and publishing reports directly to the catalog, contact the subcommittee at cooperacion@contraloria.gob.pe.



NEWS FROM THE OLACEFS REGION

SAI PERU ASSUMES OLACEFS PRESIDENCY

In an official ceremony in Mexico City, the Supreme Audit Institution (SAI) of Mexico transferred the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) presidency to the SAI of Peru. During the oath-taking ceremony, Nelson Shack Yalta, Peru's Comptroller General, committed to implementing the region's current activities and projects and expressed a willingness to develop additional initiatives raised by OLACEFS members. He also proposed the creation of working groups related to disasters and cases of transnational corruption.

SAI EL SALVADOR TO LEAD OLACEFS CEDEIR

On January 1, 2019, El Salvador's SAI assumed the Presidency of the Commission of Performance Evaluation and Indicators (CEDEIR)—the technical arm of OLACEFS—following SAI Peru's six-year term, which ended on December 31, 2018. SAI Peru will remain an active member of the commission. As outgoing president, SAI Peru performed the official transfer of chairmanship to SAI El Salvador on February 13, 2019. Both SAI's intend to continue working together to share knowledge on relevant topics within the region.

REGIONAL DELEGATES COMPLETE ADVANCED SAI PMF TRAINING

SAI delegates from Belize, Bhutan, Bolivia, Chile, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Honduras, Malawi, Nicaragua, Paraguay, Peru and Tunisia completed the SAI Performance Measurement Framework Advanced Course in February. As part of the CEDEIR annual operations plan, the course, coordinated by SAI Peru and the INTOSAI Development Initiative, provides more in-depth knowledge on SAI PMF assessment methodology and application.

PROJECT LAUNCHED TO IMPROVE INFORMATION ACCESS

The OLACEFS Technical Commission of Good Governance (CTPBG) is currently conducting a project on "Improving Access to Information and Use of Government Audit Products in Latin America and the Caribbean" aimed to support SAI's in improving the level of information availability within appropriate and relevant standards. Based on constructive dialogue, the project also promotes the use of auditing products and how audit reports and other documents may help to improve government services quality, increase transparency and accountability in SAI's and audited entities. To date, the SAI's of Argentina, Chile, Dominican Republic and Peru participate in this project. In line with this, in January, SAI Peru performed a readability and comprehension test of developed products and responded to the project's diagnosis and baseline. The other participating SAI's have also conducted this process.

BUILDING PARTNERSHIPS TO COMBAT FRAUD AND CORRUPTION VIA EFFECTIVE SAI TECHNICAL SUPPORT

by Wilf Henderson, *International Technical Cooperation Project Manager (Retired), United Kingdom National Audit Office*

Preventing fraud and corruption are major challenges facing governments, particularly those of developing countries. Government inability to establish effective internal audit and financial control systems and adequately establish or resource organizations charged with identifying fraud and corruption are just some causes of fraudulent and corrupt behavior. While no system exists to entirely avert fraud and corruption, there are measures that can be implemented to reduce the potential of occurrence.

Supreme Audit Institutions (SAIs) provide assurance that public monies have been properly accounted for and are in keeping with established laws and regulations. While not the SAI's responsibility to investigate and uncover evidence of fraudulent and corrupt behavior, a general expectation exists (stemming from society and the media) that SAIs have a major responsibility in its prevention. SAIs in developing countries often face considerable challenges and may lack the capacity to undertake effective audits and seeking support from development partners to enable technical assistance is a crucial component to improving audit quality.

To thwart fraud and corruption, building and maintaining relationships with government, its ministries, departments and agencies; legislature; development partners; and support contractors is crucial. SAIs should also cultivate connections, where applicable, with the Public Accounts Committee (PAC) anti-corruption bodies, and judiciary and prosecuting authorities, as reporting and following up on cases of fraud and corruption, when necessary, are important steps.

These relationships must be based on trust and mutual respect. Each stakeholder must be clear on the roles and responsibilities necessary to minimize fraud and corruption, and in my experience in providing technical support to developing SAIs in Sub Saharan Africa, there are key actions required.

Government

- Government should be fully supportive of an independent, competent SAI. Encouraging knowledge and use of proper accounting standards and techniques is essential while also understanding management must implement systems and procedures to detect and prevent fraud and corruption.
- Government must understand the value of SAIs. Effective audit work promotes good governance and leads to improvements in internal financial control systems.

- Government should establish effective internal financial control systems, adequately fund bodies charged with combating and prosecuting cases of fraud and corruption and sufficiently resource internal audit.

Legislature

- Legislature should ensure SAIs are resourced to deliver effective, objective public audits.
- Legislature should champion a competent SAI to build better relationships and processes with relevant prosecuting authorities and the PAC. Strengthened relations creates integrative, informing processes with each organization fully understanding roles and responsibilities.

Development Partners

- Development Partners (DPs) bridge technical assistance projects and government and are often substantial investors having a major stake in ensuring investments are properly scrutinized. This need should be recognized within national strategies, and SAI development should be included in any major public reform program.
- DPs are important to ensuring requested technical assistance project support providers are competent, experienced contractors with comprehensive knowledge of SAI work.

SAI Management

- Leadership is essential to a project's efficient functioning and set the tone throughout the SAI and with support providers. Employing a collaborative approach is key to projects thriving in an inclusive and supportive environment.
- Work plans should not encourage auditors to seek out fraud and corruption but to inform appropriate authorities if suspicious activities are uncovered. SAI management should ensure follow-up action on such cases has been taken.
- Leaders should ensure organizational buy-in, particularly given the potential changes to a change-averse culture. Establishing an inclusive learning environment incorporating staff at all levels is one method to achieve consensus.

Contractors

- Successful contractors respect and work alongside SAI management and staff collaboratively and recognize potential challenges within the working environment with an ability to empathize with staff facing change.
- Consultants should have experience with SAI work, thorough knowledge of International Organization of Supreme Audit Institutions (INTOSAI) standards and understand SAI roles and responsibilities in combating fraud and corruption.

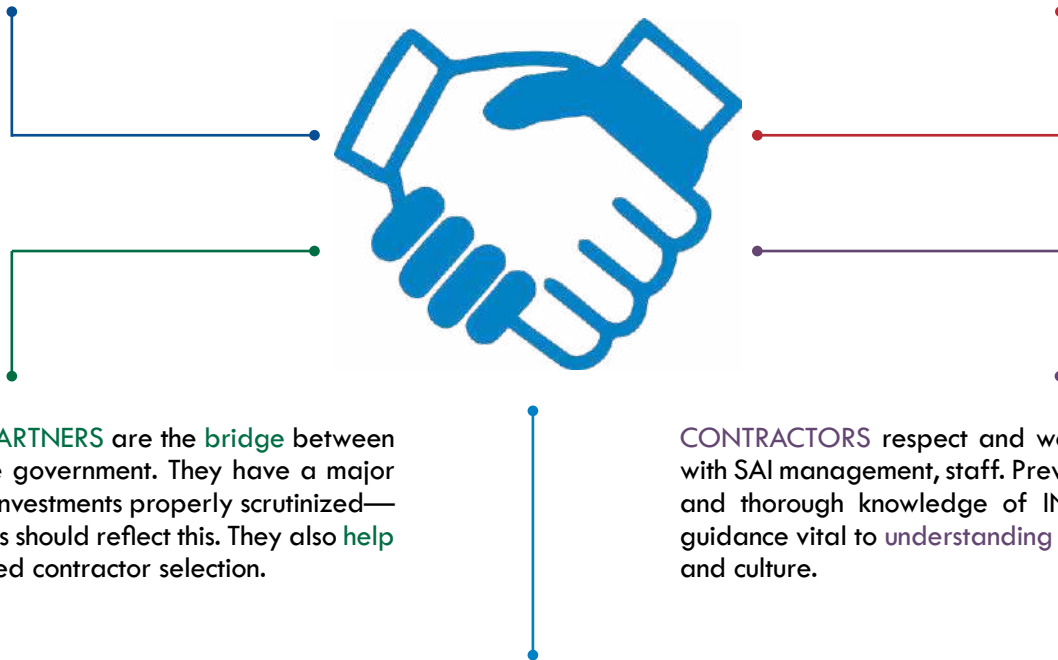
PARTNERSHIPS

Best practices in building effective relationships to combat fraud & corruption, provide technical support

Supreme Audit Institutions (SAIs) provide assurance that public monies have been properly accounted for and are in keeping with established regulations. To help combat fraud and corruption, building and maintaining relationships with government, its ministries and departments; legislature; development partners; and support contractors is crucial.

GOVERNMENT should **support** SAI independence, encourage SAI knowledge and use of proper accounting standards, techniques, and understand the **value and benefits** SAs provide.

LEGISLATURE impacts SAI resourcing, ability to deliver effective services. They should **champion** SAI competence and **motivate** SAs to build better relationships with relevant departments to create **integrative**, informing processes.



DEVELOPMENT PARTNERS are the **bridge** between a project and the government. They have a major stake in ensuring investments properly scrutinized—national strategies should reflect this. They also **help ensure** experienced contractor selection.

CONTRACTORS respect and work **collaboratively** with SAI management, staff. Previous work with SAs and thorough knowledge of INTOSAI standards, guidance vital to **understanding** nature of SAI work and culture.

SAI MANAGEMENT is essential for projects' efficient functioning. They **set the tone** throughout the SAI, as well as with contractors. Employing an **inclusive, collaborative** approach is vital. Leadership should ensure buy-in due to change-averse work culture.



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