



# INTERNATIONAL JOURNAL

— OF GOVERNMENT AUDITING —



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# INTERNATIONAL JOURNAL

OF GOVERNMENT AUDITING

Summer 2019

Vol. 46, No. 3

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:

U.S. Government Accountability Office  
441 G Street, NW, Room 7814  
Washington, D.C. 20548  
U.S.A.

(Phone: 202-512-4707; Fax: 202-512-4021; E-mail: [intosaijournal@gao.gov](mailto: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](http://www.intosaijournal.org) or [www.intosai.org](http://www.intosai.org) and by contacting the *Journal* at [intosaijournal@gao.gov](mailto:intosaijournal@gao.gov).

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*"Quality is a philosophy, a key priority and the cornerstone of SAI work. It is a component of strategy, culture, rules and practices, and, given these characteristics, quality is (as it should be) first and foremost."*

## ACHIEVING AUDIT QUALITY: A PATH LINED WITH OBSTACLES, AS WELL AS TREASURES

*by Mr. Karol Mitrík, President, Supreme Audit Institution of Slovakia*

A king placed a large boulder on the road then hid and watched to see if anyone would remove the huge rock. A few royal, wealthy merchants and courtiers encountering the obstacle simply bypassed it. Many whose paths were impeded by the boulder loudly blamed the king for not keeping the roads clean. Yet, nobody did anything to get the boulder out of the way.

Along came a peasant carrying a hefty load of vegetables. When he came to the boulder, he placed his load on the

ground and tried to push the enormous rock to the road's edge. After a great push and much strain, he finally succeeded.

As he returned to retrieve his load of vegetables, he noticed a pouch lying on the ground where the boulder originally rested. Inside the pouch—gold coins and a message from the king conveying that the coins were intended for the person who removed the boulder from the path.

The moral of the story is that every obstacle is an opportunity to improve our situation.



Ensuring the highest audit quality is a permanent, endless road lined with seemingly never-ending obstacles.

Quality is a philosophy, a key priority and the cornerstone of Supreme Audit Institution (SAI) work. It is a component of strategy, culture, rules and practices, and, given these characteristics, quality is first and foremost.

Achieving audit quality requires an appropriate legal framework and institutional independence. The Supreme Audit Office (SAO) of the Slovak Republic (SR), our nation's SAI, possesses these prerequisites. As such, we are committed to fulfilling our mandate and mission while performing to the utmost level and seeking the highest quality and professionalism possible.

Only then can we be a credible institution that promotes useful public sector changes. Only then can we truly bring value and benefits to the lives of citizens.

#### **Audit Quality—Our Path Lined with Landmark Achievements**

In our pursuit of the highest quality, we will, inevitably, encounter obstacles. Along the way, as we overcome the challenges put before us, we will uncover great treasures, particularly in the form of improved public resource management.

Over the past four years, SAI Slovakia has made significant progress in ensuring audit quality, and it must be stressed that these improvements have been possible, in large part, through our high-performing staff and exemplary work in providing analytic, strategic, communicative and legal support.

We have achieved some important milestones in our positive audit quality shift, particularly in human resource expertise and professionalism; audit planning; analysis and strategy; methodology; audit quality assessment; and communications (internal and external).

#### **Human Resource Expertise and Professionalism**

In every organization, people are a decisive factor in organizational progress and success. SAI Slovakia pays considerable attention to staff professional knowledge and skills through various education and training programs—nationally and internationally.

At present, we are running a national project, "Building and Developing Professional Capacities to Improve SAO SR Audit Activities Quality," which is aimed at staff development and quality improvement.

The program, co-financed from European sources and led by top experts from Slovakia and abroad, is designed for analysts, as well as financial and performance audit specialists and includes professional seminars and internships, Information Technology training courses and specialized English language instruction.

#### **Audit Planning**

Long-term strategic goals emphasize new approaches to audit topics and risk- and value-based audits. We endeavor to apply the "Value for Money" concept in ex-post audits of public finance, seek to transform audit philosophies and focus on public policy assessments.

#### **Analysis and Strategy**

We created a strong analytical team responsible for risk analysis, applying new strategic approaches and supporting audits and auditors alike.

#### **Methodology**

Updating our approaches, implementing the International Standards of Supreme Audit Institutions (ISSAIs) and ensuring audit procedure professionalization are some of the mechanisms employed to enhance our audit methodology.

#### **Audit Quality Assessment**

We introduced new procedures, improved, augmented transversal quality assessments and established senates to deliberate audit reports.

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*"In our pursuit of the highest quality, we will, inevitably, encounter obstacles. Along the way, as we overcome the challenges put before us, we will uncover great treasures."*

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**Internal and External Communication**

Today, there are new demands on what we share and how we share it. To exceed these demands, we have modified our communications strategy, strengthened our specialized communications and public relations departments and have created new staff positions.

We are now applying new approaches to stakeholder engagement, which includes leveraging our website and social networks and developing print, radio and television products for broadcast media.

Our office is the first state institution in Slovakia that has chosen such a broadly structured approach to informing stakeholders (at all levels) about who we are, what we do, and the key activities of interest.

**Audit Quality—Our Path Toward Continuous Improvement**

In addition to our landmark achievements, we continuously pursue effective tools and support aimed at improving the quality of our business, including self-assessments, independent peer reviews, and collaboration with the International Organization of Supreme Audit Institutions (INTOSAI) and its regions.

**SAI PMF Self-Assessment**

Our office champions self-assessments through the SAI Performance Measurement Framework (PMF) methodology.

With INTOSAI Development Initiative (IDI) assistance, the SAO SR conducted a pilot self-assessment in 2013 illustrating how the SAI PMF is a useful tool in identifying organizational performance strengths and weaknesses, as well as their root causes.

In 2018, we repeated this process. This time, we verified the results through an external group of peers, which demonstrates our willingness to be an open, transparent entity seeking to constantly improve. The self-assessment

resulted in recommendations the SAO SR is subsequently implementing.

**Independent Peer Review**

We also underwent an independent, international peer review in 2010-2011. Led by the United Kingdom National Audit Office, the evaluation, which included experts from the SAIs of Estonia, Poland and Slovenia, focused on audit activities and audit quality, human resource development and public relations efforts.

We will be subject to an additional independent peer review between 2019 and 2020, where experts from the U.S. Government Accountability Office (lead) and the SAIs of Finland, Hungary and Poland will assess our planning processes, audit quality, transparency and communication.

As chair of the INTOSAI Subcommittee on Peer Reviews, we recognize the importance of these assessments and remain steadfast in our commitment to quality.

**Support within the INTOSAI Family**

INTOSAI and its ability to bring independent national audit authorities together—to collaborate, cooperate and support one another—is admirable and, dare I say, unique.

The focus on exchanging ideas, experiences and best practices makes audit quality all the more important and gives us a true appreciation for the brilliantly applicable INTOSAI motto.

"Mutual Experience Benefits All"—it certainly does!

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*"INTOSAI and its ability to bring independent national audit authorities together—to collaborate, cooperate support one another—is admirable and, dare I say, unique."*

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# NEWS FROM AROUND THE WORLD

*Click on the labeled buttons to discover the latest SAI news from that nation*





**SPECIAL CONTRIBUTION**

*"Turning a Bad News Headline into a Good News Story"—How the Cook Islands Audit Office Successfully Engaged Stakeholders to Address Audit Effectiveness, Efficiency*

**FEATURE STORIES**

- *Quantitative and Qualitative Methods: The Optimal Combination for Effective Audits*
- *Determinants Affecting Audit Quality*
- *Improving Quality Through Effective Management Frameworks*
- *A Model for Examining Audit Effectiveness—Nationally and Globally*

**SPECIAL THEME: AUDIT QUALITY AND EFFECTIVENESS**



## TURNING A BAD NEWS HEADLINE INTO A GOOD NEWS STORY

*How the Cook Islands Audit Office Successfully Engaged Stakeholders to Address Audit Effectiveness, Efficiency*

It was the type of newspaper coverage most Supreme Audit Institutions (SAI) would dread.

“Unaudited Accounts Cause Issues,” declared a September 2018 Cook Island News headline.

The article, which went on to detail how the Cook Islands has a backlog of unaudited public accounts that could “potentially give the country a bad financial rating,” was sparked by a statement during a national Public Accounts Committee (PAC) induction workshop.

The statement called into question the Cook Islands Audit Office's (CIAO) role in reporting to the PAC and its ability to hold the government accountable and piqued stakeholder interest (including the national media), who now wanted to know, “Where are the reports? Why is there a backlog?”

Quick on the heels of the original news story, CIAO Director of Audit, Allen Parker, addressed these questions. In an article appearing in the same news outlet four days later, Parker explained how two technical auditing practices were primarily behind the shortcomings.

*Allen Parker, Director of Audit,  
Cook Islands Audit Office*

First, the Cook Islands is one of few small countries in the Pacific region to have adopted full accrual accounting (most employ cash accounting or modified cash accounting methods when preparing public accounts).

The second, and perhaps more far-reaching explanation, stems from the consolidation of all government entities, including State Owned Entities (SOE), into the whole of government accounts to provide a more informative set of Financial Statements of Government (FSG) accounts.

This approach, which requires the CIAO to individually audit financial statements of each government entity, SOE and government parent prior to incorporation into the government's financial statements, proved quite challenging on a number of fronts.

To begin with, parliament sittings (where reports are tabled) had been irregular, and for three years (2014-2016), roughly 65% of government entities were well behind the recommended six-month time frame in providing financial statements to the audit office.

Parker clarified that the CIAO could not perform the whole of government account audit until 44 individual government entities and three SOEs (47 in total) are completed. A further challenge is the timely preparation and availability of auditable consolidated financial statements from the Ministry of Finance and Economic Management (MFEM).

The CIAO is a member of the Pacific Association of Supreme Audit Institutions (PASAI), and the PASAI Chief Executive has, over the past few years, focused on monitoring backlogs of FSG accounts, particularly for the smaller island states within the region.

This emphasis coincides with PASAI's strategic priorities to achieve timely and effective audits; provide regional capacity building programs; and deliver technical support through cooperative regional approaches, such as the Sub-Regional Audit Support (SAS) program.

PASAI, with assistance from the European Union, will supply additional support over the next two years to the region's SAls still facing hefty backlogs with designs on ensuring all SAls in the Pacific are up-to-date with auditing FSGs by 2024—an ambitious, but achievable, goal.

For most SAls, the initial phase of auditing core government entities to clear backlogs will be followed by a second phase (auditing SOEs). For the CIAO, the two phases have occurred simultaneously.

The CIAO has, in fact, achieved timely and effective audits by devoting its limited resources to reducing the number of unaudited financial statements for government entities and SOEs. The CIAO also established a plan that included completing the 2014-2016 FSG

statements by June 30, 2019. It is supported in this process by New Zealand's Office of the Auditor General—the CIAO's twinning partner.

That said, several key developments have emerged from this very open, very visible engagement with stakeholders—PAC support and contributions to audit effectiveness and efficiency; increased SAI visibility, transparency and accountability; and a broader discussion on accounting practices.

### ***PAC Support and Contributions to Audit Effectiveness and Efficiency***

Parker has always believed the MFEM proved itself willing to share information on government spending. Legislative changes will enhance this position. These changes include ensuring audit reports are available to the public upon submission to the Speaker, thus negating the need for parliament to be in session.

The PAC has also passed a resolution enabling the CIAO to identify agencies not in compliance with audit requirements, and PAC Chairman, Tingika Elikana, believes

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*"Several key developments have emerged from this very open and very visible stakeholder engagement."*

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timely information will lead to better-informed decisions by the PAC and government and greater accountability for all entities.

### ***SAI Visibility, Transparency and Accountability Through Media, Communication***

The public debate allowed the CIAO to describe its work and obstacles to efficiency—to the government, the PAC and the nation's citizens. Proactive, clear and objective messaging allowed the SAI to compellingly and concisely clarify complex, and potentially inflammatory, government issues. This clarity and openness speaks to the CIAO's determination to be transparent and inclusive.

"A key part of our strategic plan includes stakeholder engagement. While many of our objectives in this area are in draft form, we have already commenced with establishing a process to discuss our audit reports with the PAC and, of course, the media."

### ***Broader Discussion on Accounting Practices***

This dialogue also allowed the CIAO to raise citizen awareness about national accounting practices, as well as FSG and the whole of government approaches to the scrutiny of accounts.

The Cook Islands experience is similar to that of other SAIs. The timely completion of accounts remains a national issue—one critical to an audit organization's strategic planning efforts, especially in developing and maintaining necessary capacity, capability and resourcing to prepare staff for challenges (such as transitioning to auditing accrual-based and fully consolidated accounts).

For Parker, the dialogue has already led to demonstrable improvements in auditing practices.

"It is satisfying to note that 90% of our audits were completed within six months of receipt for the 2017 financial statements," he noted.

For the Cook Islands, the discussion, hopefully, ceases the notion that the country is threatened by poor financial ratings.

For SAIs worldwide, the debate, perhaps, illustrates an ability to overcome, and capitalize on, seemingly negative news.

In this instance, a negative headline provided a stage for proactive, positive stakeholder engagement, and the ensuing inquiries allowed the SAI to be open about current failures and equally open (and optimistic) about future successes.

### ***News Story Links***

"[Unaudited Accounts Raise Issues](#)" by Rashneel Kumar, Cook Island News, September 15, 2018.

"[Audit Office Explains Delays](#)" by Rashneel Kumar, Cook Island News, September 19, 2018.

"[PAC Crackdown on Ministries](#)" by Rashneel Kumar, Cook Island News, February 1, 2019.



### ***Emphasis on Stakeholder Engagement, Audit Quality Reflected Across PASAI Region***

The importance of stakeholder engagement, which is vital to audit impact and quality, is reflected across the PASAI region in SAI communication strategies. As recently as May 2019, Fiji's Auditor General, Ajay Nand, engaged with local media to raise awareness on the lack of action taken against government departments, statutory bodies and councils (provincial and municipal) that do not submit draft financial statements on time.

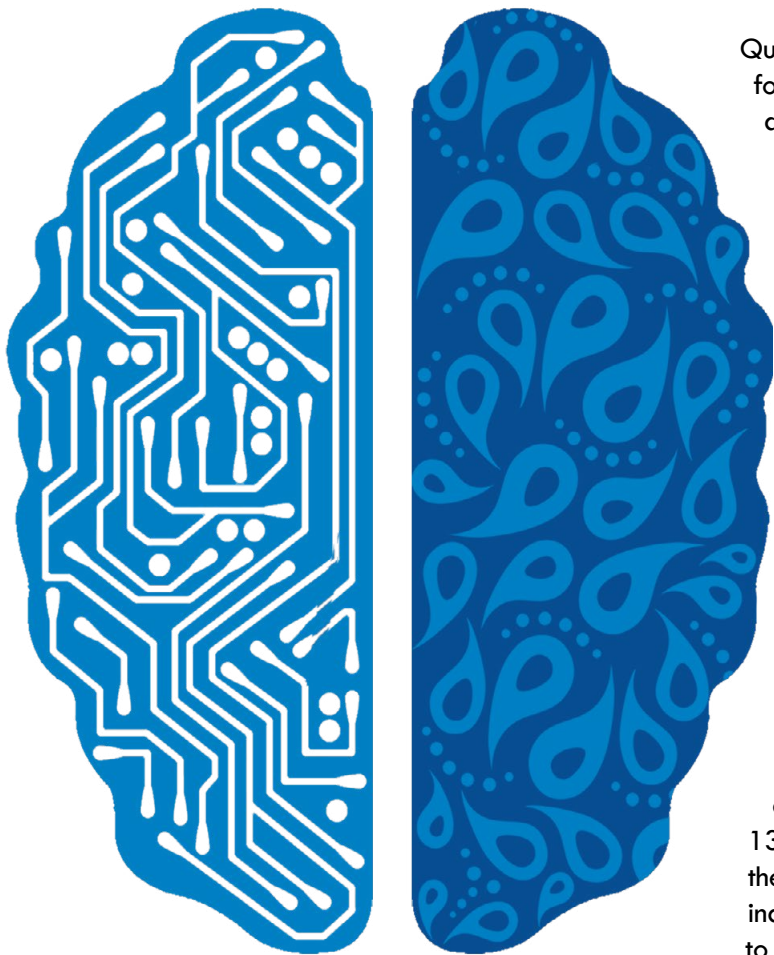
In the article, "[Auditor General Calls for Sterner Action on Non-Compliance](#)," published by the Fiji Broadcasting Commission, Nand demonstrates how employing media can enhance transparency, accountability and inclusion.



# & QUANTITATIVE METHODS QUALITATIVE

## The Optimal Combination for Effective Audits

by Oliver M. Richard, Chief Economist and Director, Center for Economics, U.S. Government Accountability Office



The creation of the International Organization of Supreme Audit Institutions (INTOSAI) Working Group on Big Data speaks to the increased attention to enhanced data analytics. While much consideration has focused on **quantitative** techniques, this article highlights **qualitative** analysis, its relevance and ability to complement quantitative methods used in Supreme Audit Institution (SAI) work.

Though they contribute differently to an audit (broadly defined to also include evaluation), quantitative and qualitative methods share a common purpose—to produce actionable information addressing the audit’s objective. Research finds the difference is more a matter of degree than type.

Qualitative methods, such as content review, interviews, focus groups and case studies, generally seek to develop an understanding and assessment of the audit’s conceptual and behavioral context. As such, they score highly on validity and inductive reasoning (moving from observation to hypothesis).

Quantitative methods, including systematic data analyses, aim for reliability and hypothesis testing. Thus, qualitative and quantitative methods are best viewed as complements in the audit process. Examining existing studies shows complementarity occurring at three levels in that qualitative analysis (1) is an essential preliminary to quantitative research, as it enables a contextual description and understanding that is instrumental in designing the appropriate audit scope; (2) supplements quantitative work (and vice-versa) by adding validation to empirical findings; and (3) can explore areas not amenable to quantitative research, such as internal control processes within an agency or program.

Together, qualitative and quantitative methods form a range of approaches that, when optimally combined, enable a SAI to decipher concepts, content and data that may exist in an audit situation. The optimal combination is case-specific, as it depends upon facts that characterize each audit.

Assessing the right methodological mix demands expertise. The U.S. Government Accountability Office (GAO) established a team—Applied Research and Methods (ARM)—of about 135 specialists with advanced degrees in 14 disciplines across the social, physical, and computing sciences who contribute independent expertise in qualitative and quantitative methods to GAO’s audit teams. ARM’s specialists work closely with GAO’s analysts to combine qualitative and quantitative techniques in



GAO reports. GAO’s report, “[Social Security Disability: Additional Measures and Evaluation Needed to Enhance Accuracy and Consistency of Hearings Decisions](#),” provides a good example of employing a combination of qualitative and quantitative tactics.

**Background**

The U.S. Social Security Administration (SSA) manages disability benefit programs that cover roughly 16 million Americans who receive an estimated \$200 billion in benefits annually. For adult eligibility, a person must have a medically determinable physical or mental impairment that (1) has lasted (or is expected to last) for a continuous period of at least one year or result in death, and (2) prevents the person from engaging in any substantial gainful activity. The SSA received over 2.5 million disability claims in fiscal year 2016.

When a person applies, SSA makes an initial determination. Typically, when a claim is denied, the claimant may request a hearing before an Administrative Law Judge (judge). In fiscal year 2016, claimants appealed 698,000 decisions to judges, who may deny or allow a claim at a hearing. The judge’s allowance rate is the percentage of claims for which a judge allows benefits.

Stakeholders noted a variance in allowance rates across judges, and GAO was asked by the U.S. Congress to examine the extent to which allowance rates vary across judges (and what factors are associated with this variation); and the extent to which SSA processes monitor accuracy and consistency of hearings decisions.

**The Analysis and Findings**

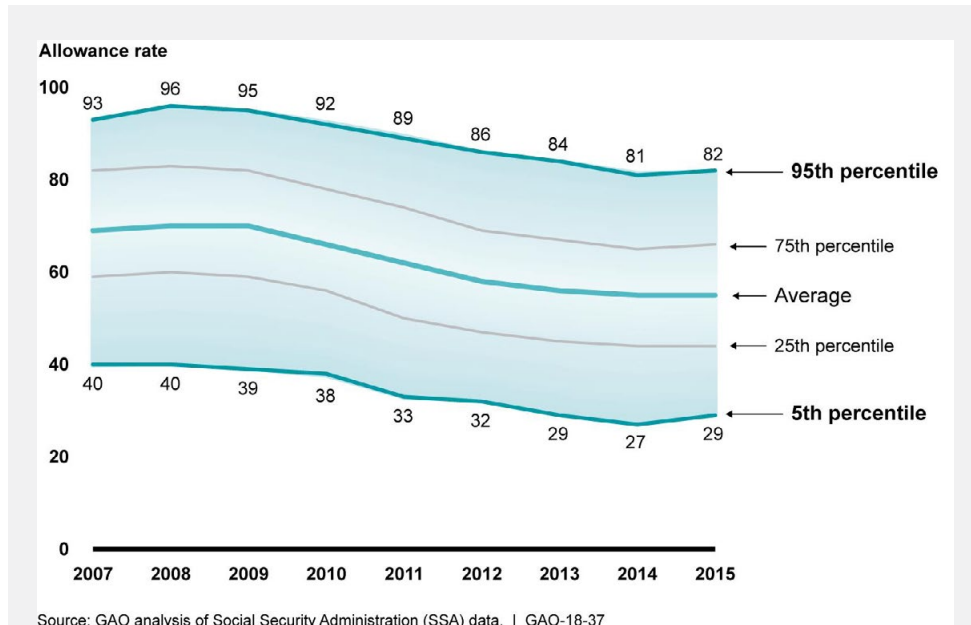
GAO relied on qualitative methods to better understand SSA’s process, such as conducting a content review of applicable SSA policies and procedures; interviewing SSA officials; holding semi-structured interviews with regional chief judges; and attending hearings in selected offices (not generalizable) to conceptualize the hearings process in practice.

GAO learned, in particular, that SSA randomly assigns cases to a judge based on the claimant’s location. This practice increased the chance that factors possibly explaining

differences in allowance rates across judges were similar across cases and thereby identifiable using a quantitative analysis of allowance decisions.

Quantitatively, GAO compiled information from several SSA administrative systems, federal personnel and payroll systems, and economic data (spanning fiscal years 2007-2015 that included an estimated 3.3 million claims records). Using this data, an annual allowance rate was computed for each judge.

GAO first examined the allowance rate data to substantiate concerns that motivated Congress’ request. Figure 1 shows that allowance rates vary substantially across judges, even as the average allowance rate across judges fell 15 percentage points from 2008 to 2015.



Source: GAO analysis of Social Security Administration (SSA) data. | GAO-18-37

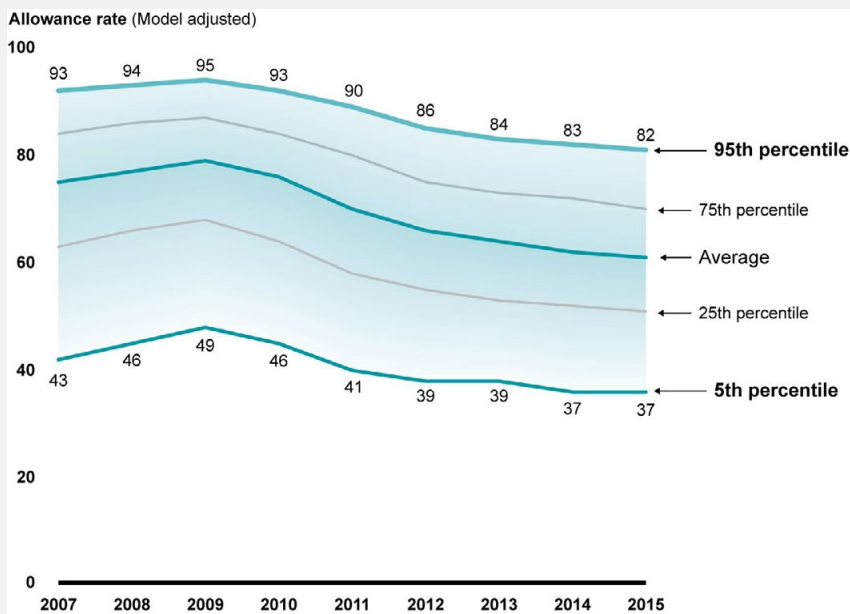
Figure 1: Variation in Social Security Administration (SSA) Disability Allowance Rates across Administrative Law Judges, Fiscal Years 2007-2015.

GAO engaged with SSA officials, who noted the variation is not surprising due to case complexity and judges’ decisional independence.

SSA officials also cited an expansion in quality assurance reviews and electronic data usage to monitor judges’ decisions, which should have helped lessen variation in allowance rates across judges over time. These qualitative insights raised the hypothesis that allowance rates could vary across judges due to case dissimilarity.

To test this hypothesis, GAO used individual claims data to develop and estimate a quantitative statistical model identifying factors associated with a judge’s decision to allow or deny a claim. In consultation with SSA officials, and based on a qualitative review of relevant literature, GAO controlled for certain factors, such as claimant characteristics (type of claim and demographics); judge making the decision (appointment year, prior experience); location; presence of representatives at the hearing (attorney, medical, vocational expert); and local economic conditions (unemployment and poverty rates).

Similarly, the model found that claimants who had a representative were allowed benefits at a rate 2.9 times higher than a typical claimant with no representative. SSA officials said that, under SSA’s fee structure, representatives are only paid if the claimant is awarded benefits. As a result, representatives may tend to take cases they believe will be successful. Thus, GAO’s quantitative findings were interpreted in conjunction with qualitative evidence—further enhancing credibility. *Note: A typical claim had average values on all factors GAO controlled for in its quantitative statistical model (factors related to the claimant, judge, other participants in the process, hearing office, and economic characteristics).*



Source: GAO analysis of Social Security Administration (SSA) data. | GAO-18-37  
 Figure 2: Estimated Variation in Social Security Administration (SSA) Allowance Rates across Judges for Typical Claims, Fiscal Years 2007-2015.

As illustrated in Figure 2, GAO estimated the allowance rate varied by 46 percentage points for a typical claim depending upon the judge who heard the case. The quantitative model identified multiple factors associated with a judge’s decision, and GAO’s interpretation of these findings was supplemented by qualitative evidence. For instance, the model demonstrated claimant age mattered, as a 55 year-old claimant was allowed benefits at a rate 4.3 times higher than a typical 35 year-old claimant. SSA officials informed that this finding was consistent with SSA’s vocational guidelines, which are generally more lenient for older claimants.

Finally, GAO examined to what extent SSA had processes to monitor the accuracy and consistency of hearings decisions. While this line of inquiry was an internal controls audit relying on qualitative methods, the empirical evidence developed with GAO’s quantitative model underscored the need for SSA to measure and hold itself accountable for accuracy and consistency. GAO ultimately found that SSA had not systematically considered how each of its quality assurance reviews helped the agency meet its strategic plan’s objective to improve quality, consistency and timeliness of hearings-level decisions.

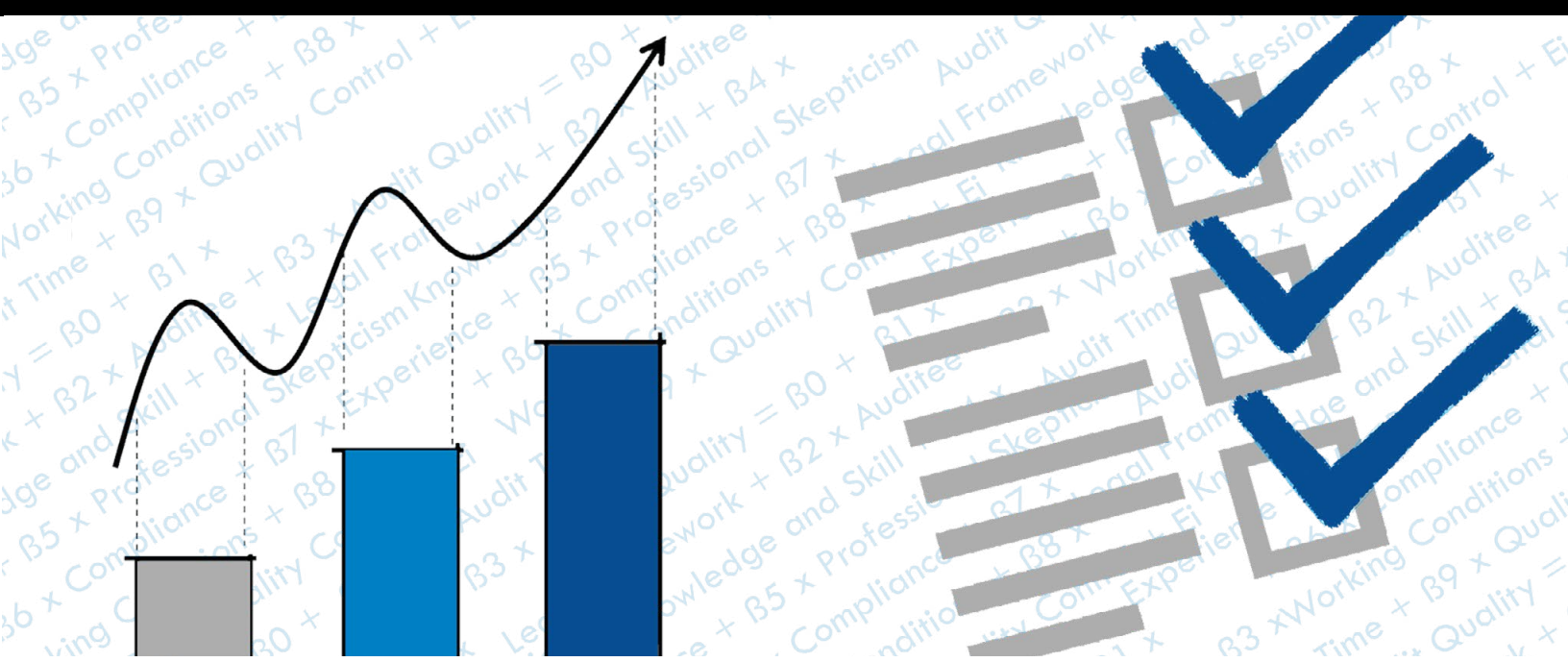
**Conclusion**

Even as advanced data techniques become more prevalent in audit work, SAIs must maintain an audience awareness and ensure messaging is both credible and accessible.

Developing qualitative evidence that grounds quantitative findings within the audit’s conceptual and behavioral situation adds validity to audit findings and enhances the likelihood that recommendations will be implemented.

**Sources**

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 Nicholas Mays and Catherine Pope, “Rigour and qualitative research”, *The BMJ*, Volume 311, 8 July 1995, 109-112.  
 INTOSAI Working Group on IT Audit, “Big Data Management and Data Analytics”, Paper AI-14, available at [http://www.intosaiitaudit.org/working\\_group\\_paper\\_lists/20](http://www.intosaiitaudit.org/working_group_paper_lists/20)



# DETERMINANTS AFFECTING AUDIT QUALITY

by Dr. Nguyen Manh Cuong, Deputy Director General, Department of Personnel and Organization, State Audit Office of Vietnam and Dr. Tran Manh Dung, National Economics University

## Introduction

The State Audit Office of Vietnam (SAV) issues audit reports at every audit's conclusion, yet judging and comparing quality among various audits is a difficult task. Some research cites audit quality as the ability for auditors to detect and report material misstatements during the audit process. This ability is highly dependent on auditor proficiency and independence, particularly when misstatements may be derived from fraud.

While several studies have focused on providing solutions to improve audit quality, these solutions do not facilitate identifying determinants potentially affecting audit quality. This article discusses a SAV study performed to identify factors that can affect audit quality at the planning, implementation (process) or reporting phase.

## Audit Quality

Audit quality reflects several elements and has different meanings depending on the audit's phase and/or product (plan, process, report).

Audit **plan** quality indicates planning is conducted within prescribed guidelines. For the SAV, these guidelines include clearly defined audit objectives, content, scope, materiality, risks, methods, time and personnel. Current guidance also calls for content to be reasonably explained, relevant and evidential.

Audit **process** quality refers to the ability to detect and report material misstatements, revealing auditor compliance with the audit's objectives and contents. Here, quality is achieved by ensuring audit documents are developed and recorded in accordance with pertinent regulations; audit evidence has been adequately and appropriately gathered; and the audit team has complied with all organizational regulations and standards.

Audit **report** quality calls for consistency with applicable standards and regulations, ensuring accuracy, clarity and timeliness. Any errors, fraud and gaps should be properly considered and resolved, and comments, assessments and conclusions should be based on complete, accurate and reliable evidence. Audit recommendations should be lawful, fair, objective and feasible.

### **Determinants**

Several determinants, both internal and external, can affect audit quality, including auditor professional knowledge and skills; skepticism; standards compliance; working conditions; audit duration and quality control.

### **Methodology**

Two hundred questionnaires were sent to audit department heads, audit team leaders and individual auditors. Responses were received from 175 participants. Invalid responses (seven in total) were excluded from the study.

A regression model was developed that incorporated independent and dependent variables (including internal and external factors)—legal framework, auditee, knowledge and skill, experience, professional skepticism, compliance, working conditions, audit time, quality control measures—as determinants potentially affecting audit quality.

### **Empirical Results and Conclusions**

Regression analysis revealed two external determinants having the most impact on audit quality: auditees (strongest influencer) and legal framework.

Both determinants demonstrated direct correlation to quality: if the legal framework includes proper and adequate state audit laws, auditing standards, processes and guidelines, audit quality improved.

Analysis indicated decreasing levels of influence associated with audit time, knowledge and skill, professional skepticism, and compliance.

Working conditions and quality control were statistically insignificant, revealing these factors have very little to no effect on audit quality. While quality control showed no evidence it affected audit quality, this result does not coincide with research associated with non-state audit firms. The result could stem from the SAV synchronously implementing audit quality control measures at several levels using strict

regulations, which resulted in overall audit improvement with very few significant errors.

Working conditions, also bearing a low significance factor can perhaps be attributed to auditor experience, as well as the ability to perform timely onsite audits using remote technology.

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*"Regression analysis revealed two external determinants having the most impact on audit quality: auditees and legal framework."*

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Regression results exposed an "R-square" figure of 0.982, denoting that a 98.2 percent variation in audit quality can be explained through the regression model, with the remaining estimated two percent in variation caused by other factors not included in the model.

Additionally, applying the Durbin-Watson test (to detect the correlation in prediction errors) resulted in an approximate score of two, signifying that the likelihood of model self-correlation is low. Additionally, multicollinearity tests showed Variance Inflation Factors (VIF) between 0.1-2, confirming no collinearity occurrence between variables in the model.

This study, which focused on determinants affecting audit quality, exposes the need for policy makers and auditors to emphasize those factors having significant impact on audit quality, particularly as concerns intensify about effective and efficient public resource use.

For full references and to see the complete regression model results, email the authors at [cuongsav@yahoo.com](mailto:cuongsav@yahoo.com) and [dungtm@neu.edu.vn](mailto:dungtm@neu.edu.vn).



# IMPROVING QUALITY THROUGH EFFECTIVE MANAGEMENT FRAMEWORKS

by Hasan Masud, Pakistan Audit and Accounts Service, Office of the Auditor General of Pakistan

## Quality—An Introduction

"A major challenge facing all Supreme Audit Institutions (SAIs) is to consistently deliver high quality audits and other work." —International Standards of Supreme Audit Institutions (ISSAI) 40, "Quality Control for SAIs."

Quality, the degree to which inherent characteristics—clarity, effectiveness, efficiency, objectivity, relevance, reliability, significance and timeliness—of an audit fulfills requirements, must be viewed as a continuous process, one that occurs throughout the audit cycle.

Controlling and assuring quality can be challenging, particularly in environments where resources are limited, since quality involves systems and processes aimed at ensuring SAIs issue reports that are appropriate and in accordance with applicable laws and regulations. Creating a central, dedicated quality office is essential—it allows a SAI to focus on the public expenditure cycle in its entirety, improve final reports prior to issuance, and creates a more effective and efficient framework.

## Managing Quality—SAI Pakistan’s Experience

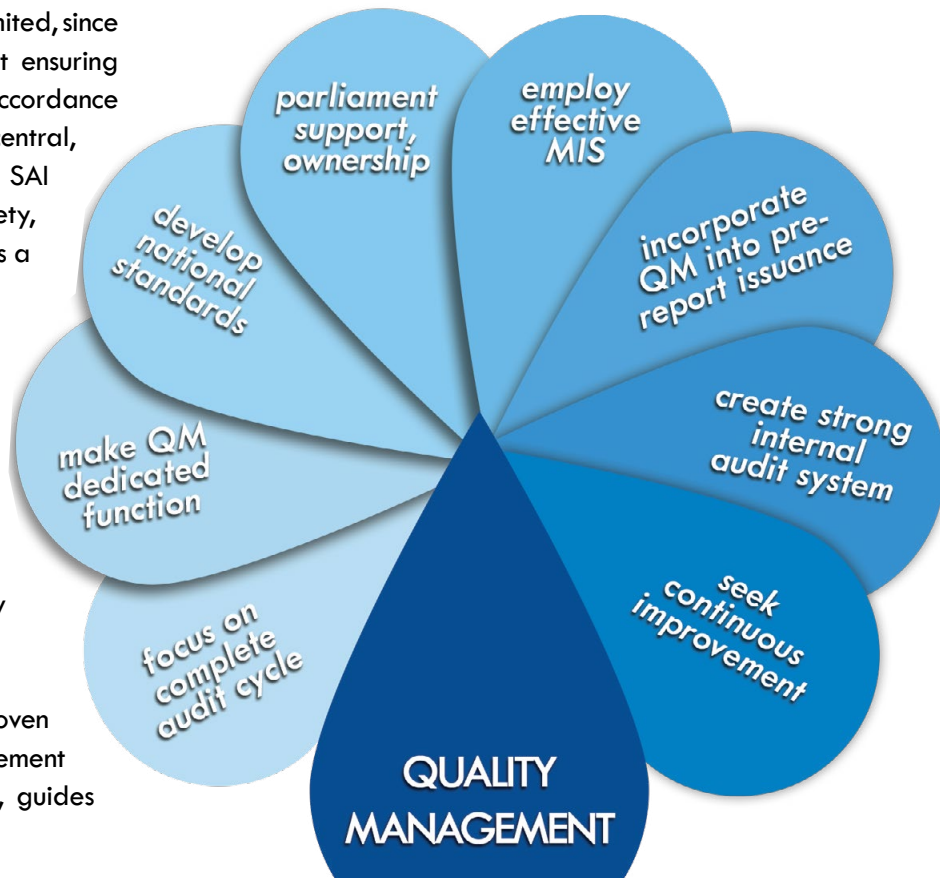
Pakistan’s SAI is at the heart of the nation’s accountability process. Led by an Auditor General serving a fixed, four-year, non-extendable term and staffed with more than five thousand employees in 30 field audit offices across the country, SAI Pakistan performs nearly nine thousand audits annually.

The audits and financial recovery efforts have proven successful, in part, due to a strong quality management system based on strengthened ethics, standards, guides and frameworks.

SAI Pakistan has adopted the International Organization of Supreme Audit Institutions (INTOSAI) code of ethics, and SAI Pakistan’s Financial Audit Manual (FAM), Quality Management Framework (QMF) and public sector audit guidelines are consistent with the ISSAIs.

**The FAM.** The FAM provides auditors with a set of modern, ISSAI-based standards, concepts, techniques and quality assurance arrangements for auditing government entities in Pakistan. A comprehensive document spanning the audit cycle, the FAM requires the SAI to pay particular attention to quality assurance programs as a means to improve audit performance and results.

Establishing systems and procedures to confirm integral quality assurance processes have operated satisfactorily; ensure audit report quality; and secure improvements while avoiding repetition of weaknesses are part of the FAM’s provisions. The SAI has implemented a system of quality assurance checks and balances that are objective and consultative and include periodic reporting to top management.



**The QMF.** In Pakistan, an audit report tabled before the Public Accounts Committee (PAC) passes through several quality control and assurance stages, which includes team observations and field office report re-examination prior to sending forward to the Auditor General, who also provides a thorough analysis prior to report finalization.

The QMF, originally implemented in 2011, was developed using INTOSAI and Asian Organization of Supreme Audit Institutions (ASOSAI) standards and guidelines.

The framework provides three broad mechanisms to ensure quality:

- Quality Assurance (QA) is implemented by the head of a particular field audit office and focuses on quality throughout the audit (at the onset of audit planning through audit execution to audit report production).
- Quality Control (QC) is the application of external quality checks on an audit office. It takes place in two stages: (1) sample testing an audit office's previously quality-assured assignments; and (2) examining all Quality Control Committee (QCC) final audit reports.
- Quality Improvement includes creating and implementing corrective actions based on quality assurance and quality control reviews.

To ensure QMF compliance, SAI Pakistan established two committees—an internal QCC (headed by a Deputy Auditor General (DAG) in the audit's department) and an external QCC, led by a DAG outside the department performing the audit.

### **Managing Quality—Some Challenges**

Today, SAIs operate in a constantly changing world with an ever-rising tide of expectations for transparency and accountability. Quality Management (QM) must be viewed as a dynamic process aimed at responding to these changing societal demands. Some current challenges faced by SAI Pakistan include:

- Treating QM as a rotational assignment;
- Developing a proper Information Technology (IT) support system;
- Missing linkages with Civil Society Organizations (CSOs);
- Developing and managing relationships with auditees;
- Managing organizational change;

- Sustaining reforms;
- QM training;
- Retaining talent; and
- Expanding areas of operation.

### **Managing Quality—Some Recommendations**

- **Focusing on the Complete Audit Cycle.** Creating high standards for reports is key, as is emphasizing overall quality. To do this, the quality cycle must begin at the pre-audit stage and end when final recommendations are implemented at the PAC level.
- **Making Quality Management a Dedicated Function.** An independent office dedicated to managing and assuring quality provides more consistent, institutional approaches to quality. This notion can be further strengthened through training that makes quality management an automatic, continual part of the audit process.
- **Developing National Standards.** SAI Pakistan is finalizing a Performance Measurement Framework (PMF) draft report, which represents a critical first step in consolidating the SAI's various frameworks while also conforming to ISSAI guidelines. This effort can lead to future national public-sector auditing standards development.
- **Parliamentary Support and Ownership.** SAI Pakistan and its quality framework operate within limits defined by parliament. It is important that parliament and the PAC ensure no financial, administrative or legal issues limit the SAI's scope in producing high-quality reports.
- **Employing an Effective Management Information System (MIS).** An MIS supports QM frameworks by providing a platform for report centralization, control, filtering and processing. For example, a robust MIS can facilitate report prioritization by flagging important issues and sensitive observations.
- **Incorporating QM into Pre-Report Issuance.** The QM intervention must be a pre-report issuance inspection, not a post-report inspection step. Adequate, competent staff across fields (audit, IT, administrative) is imperative.
- **Creating a Strong Internal Audit System.** Establishing an independent internal audit department (and improving coordination with external audit divisions) at the federal and provincial levels is vital to broadening audit quality.

# A MODEL TO EXAMINE AUDIT EFFECTIVENESS: NATIONALLY, GLOBALLY

by Dr. Amir Seri, Commissioner of State Audit, Regulation and Marketing Group, Israel Electric Cooperation, and Lecturer at Bar Ilan University-Israel



Supreme Audit Institutions (SAIs) represent important mechanisms in safeguarding public resources, and the broad authorities of the Comptroller of Israel are intended to, among other things, strengthen good governance. However, evaluating public audit effectiveness and its ability to enhance good governance is complex and often difficult, if not impossible.

This article explores modeling to examine audit effectiveness, including an examination of influential factors and a comparison that uncovers the most impactful report type.

## **The Proposed Model**

Creating a benchmark definition for effectiveness was the first step. For this model, effectiveness (E) is the rate of deficiency correction—how many corrective measures were implemented based on audit findings and recommended actions.

Next, defining variables that potentially impact audit effectiveness were identified and categorized (categories were based on research, which often cited grouping factors into four broad categories):

**Category A:** Reciprocal relationship between audit and public and media opinion;

**Category B:** Reciprocal relationship between audit and legislative authority;

**Category C:** Reciprocal relationship between audit and executive authority; and

**Category D:** Audit office work patterns.

Given these variables, measuring audit effectiveness can be calculated using the formula:

$E=f(A, B, C, D)$  or  $\sum_i = A_i + B_i + C_i + D_i$ , where  $i$  represents the report type—regular (r) or special (s).

Regular reports are those published at times defined by law, while special reports are initiated by the comptroller and not included in the annual work plan.

The resulting "E" value falls within a range between 0 and 1 (0-100%), where a value of "1" indicates all deficiencies have been corrected, and a value of "0" means no corrections have been implemented.

**Putting the Model Into Practice**

This model was used to specifically evaluate SAI Israel's audit effectiveness, and an equal amount of completed regular and special audit reports (13 each) were examined and compared to provide the basis for the "E" value.

Additionally, 15 interviews were conducted, which included sessions with three recent Comptrollers; the former Chairman of the State Audit Affairs Committee; previous managers of the State Control Inspector General Division in the Prime Minister's office; and relevant internal staff (both managerial and technical).

To create quantitative measures from qualitative information for each category, the following data were used:

- **Category A** was analyzed using the number of articles published in the press on a specific report;
- **Category B** was calculated by examining the extent of discussions in designated parliamentary committees;
- **Category C** was checked by analyzing activities associated with correcting the audit's identified deficiencies; and
- **Category D** scoring included analyzing and comparing various parameters within the audit office that may affect audit effectiveness, such as audit work timing, audit frequency and monitoring deficiency corrections. Performing interviews (in-depth, semi-structured) with relevant personnel, both internal and external, helped validate and strengthen findings.

**Results**

Values calculated for **Category A** concluded that, on average, interactions between SAI Israel and the media increase special report effectiveness when compared to regular reports;

Analyzing **Category B** results indicate interactions between SAI Israel and the legislative branch also increase the effectiveness associated with special reports more so than that of regular reports;

On the other hand, **Category C** results suggest the interactions between the SAI and executive authorities increase regular report effectiveness in comparison to special reports; and

**Category D** analysis showed that, as a rule, there is no difference (in the context of effectiveness) in how SAI Israel operational patterns impact regular and special reports.

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*"This unique model provides a foundation to examine audit effectiveness and enables measuring specific factors that can affect an audit's impact. While this study focused on SAI Israel's audit effectiveness, the model may be applicable to other SAIs."*

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**Conclusions**

Findings suggest that effectiveness (faults correction rate) coinciding with special reports will generally be higher than that of regular reports.

Special reports tend to generate a greater amount of real-time value and relevancy given the nature in which they are initiated and the topics they tend to cover. This is also in-keeping with available literature suggesting such factors (value and relevancy) increase the probability of an event becoming sensationalized in the media.

Research also indicates the media's ability to raise awareness on more publicly stimulating topics leads to increased coverage of special reports and boosts topic recognition, which, in turn, can result in heightened pressure on auditees to correct identified faults, thus enhancing audit effectiveness.

The uniqueness of this model provides a foundation to examine audit effectiveness and enables measuring specific factors that can affect an audit's impact.

While this study focused on SAI Israel's audit effectiveness, the model may be applicable to other SAIs.

Contact the author at [amir.seri@iec.co.il](mailto:amir.seri@iec.co.il) for a full list of references and to learn more about the model.



# ▶ INSIDE INTOSAI



*Mutual Experience  
Benefits All*

# GOAL CHAIR MEETINGS UNITE DELEGATES TO DISCUSS INTOSAI PROGRESS, WAY FORWARD

*Click on each INTOSAI goal icon to access video stories from 2019 Goal Chair meetings*

## GOAL ONE: PROFESSIONAL STANDARDS

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Promote strong, independent, multidisciplinary SAs and encourage good governance by: advocating for, providing, and maintaining International Standards of Supreme Audit Institutions (ISSAI); and contributing to the development and adoption of appropriate and effective professional standards.

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## GOAL TWO: CAPACITY DEVELOPMENT

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Support SAs in developing capacity to maximize their value and benefits to society by: promoting the development of capabilities and professional capacities of independent SAs, regional organizations; informing INTOSAI decision-making on SAI capacity development matters; and cooperating with donors, relevant partners, and stakeholders.

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## GOAL THREE: KNOWLEDGE SHARING

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Encourage SAI cooperation, collaboration, and continuous improvement through knowledge development, sharing, and services, including: producing and revising INTOSAI products; providing benchmarks and operating a community portal; and conducting best practice studies and performing research on issues of mutual interest and concern.

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## IRCP PROVIDES FORUM TO DISCUSS REGIONAL, GLOBAL COMMUNITY SYNERGIES

“To evolve, you have to become involved.”

Pamela Monroe-Ellis, Auditor General of Jamaica and General Secretary for the Caribbean Organization of Supreme Audit Institutions (CAROSAI), succinctly captured the notion that we must be active contributors if we are to transform—a concept thoroughly embraced at this year’s INTOSAI-Regions Coordination Platform (IRCP) hosted by South Africa’s Supreme Audit Institution (SAI) in Cape Town.

The three-day International Organization of Supreme Audit Institutions (INTOSAI) event united global bodies and regions to explore synergies, address the INTOSAI value chain and crosscutting priorities, and foster an integrative approach in developing solutions and aligning efforts.

The meeting kicked off with a new approach—parallel regional and global meetings. The Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) led the regional session, which highlighted innovation and its significance in audit work, while the global

gathering focused on overarching concepts most affecting the broader INTOSAI community.

Einar Gørrissen, INTOSAI Development Initiative (IDI) Director General, noted independence remains the biggest issue facing SAIs today and stressed the need to reconfirm its importance, particularly as “there is a close connection between SAI independence and the ability to add value and benefits to the lives of citizens.”

Adding value and benefits to society is a key driver in the work SAIs perform and intertwined into the Sustainable Development Goals (SDGs). As the countdown continues to meet the 2030 deadline in achieving the global goals, IRCP participants shared experiences, challenges, requirements and future outlooks regarding SDG auditing initiatives and contributing to national SDG implementation.

Several delegates noted difficulty in performing SDG audits, primarily in defining what constitutes an SDG audit. An abundance of models and approaches were also cited as challenges.

While establishing a common understanding and a unified approach will require additional research and practice, delegates concurred that mapping and streamlining collective efforts are vital to future SDG work.

Archana Shirsat, IDI Deputy Director General, Professional and Relevant SAs Department, believes aligning and integrating "will lead to one voice we can stand behind."

"If you want to walk fast, walk alone. If you want to walk far walk together. But, how do we walk far and fast together?"

Such unity and the required collaborative measures it beckons requires communication—a heavily debated, engaging topic among participants.

Michael Hix, International Relations Director for the U. S. Government Accountability Office and Vice President of the INTOSAI Journal, shared insight on communications and stakeholder engagement and highlighted current internal and external INTOSAI efforts.

Hix asked attendees, who worked in small groups, to tackle questions on information availability, accessibility and alternate approaches. The dialogue identified opportunities for enhanced coordination and awareness in sharing information.

Silke Steiner, representing the INTOSAI General Secretariat, indicated the revamped INTOSAI website ([www.intosai.org](http://www.intosai.org)), tentatively scheduled for launch prior to the XXIII Congress in Moscow, will enrich communication efforts, as the new site will prominently display essential information and links.

The INTOSAI Community Portal is also undergoing a facelift, and the Knowledge Sharing Committee's representative, Vishnukanth P.B., informed delegates that the new portal ([www.intosaicommunity.net](http://www.intosaicommunity.net)) aims to increase data sharing and engagement opportunities.

While the freshly designed websites will better facilitate knowledge sharing, delegates also suggested establishing a forum designed, in part, to develop a single, global INTOSAI communications strategy.

As the INTOSAI community continues to think strategically, the concepts of leadership, evolution and innovation rose to the forefront.

"It is important that leaders be daring—that they dare to make change and be willing to shift the boundaries," stressed Tsakani Ratsela, Deputy Auditor General, SAI South Africa.

Active dialogue continued on initiatives supporting standards quality and value and moving toward more effective coordination and consultation. Participants also offered perspectives into successful efforts—peer-to-peer projects, blended learning and twinning arrangements—and provided ideas on innovative techniques, such as tailored or customized programs and creating a regional pool of quality reviewers, that can be employed.

Improving performance and enhancing capacity were also significant topics discussed during this year's IRCP. During his presentation on performance measuring and monitoring, Tiofilusi Tiueti, Chief Executive, Pacific Association of Supreme Audit Institutions (PASAI), asked a key question of participants—what do we really mean by SAI performance?

Tiueti explained that defining performance, perhaps in such a way that focuses more so on quality versus quantity, can lead to more accurate measurement, better informed decision-making and greater sustainability.

As INTOSAI continues forging a path toward progress in achieving its strategic goals, the sentiments Kimi Makwetu—Auditor General of South Africa and Chair of the Capacity Building Committee—shared in his opening remarks remind us that meetings like the IRCP are greatly needed, as they unite delegates on a global scale to share ideas that "take INTOSAI to the next level and beyond."

Watch the IRCP video story on the Journal's YouTube channel.





## WGPD HOLDS MEETING IN AZERBAIJAN

The Republic of Azerbaijan's Chamber of Accounts (COA) hosted the 2019 International Organization of Supreme Audit Institutions (INTOSAI) Working Group on Public Debt (WGPD) annual meeting from May 23-25, 2019.

Fifty-three participants from 27 Supreme Audit Institutions (SAIs) attended the meeting, which included guest speakers from the World Bank, Azerbaijan Diplomatic Academy University and the United Nations Conference on Trade and Development (UNCTAD).

Vugar Gulmammadov, COA Chairperson, welcomed guests and noted the significance of cooperation and knowledge in sharing public sector audit information among states—a major WGPD objective.

“A fundamental WGPD role is to strengthen public debt management audits by preparing and publishing specific guidance and best practices to inform and encourage sound management and proper reporting,” noted Michael G. Aguinaldo, Commission on Audit of the Republic of the Philippines and INTOSAI WGPD Chairman.

As part of the event's key speeches and presentations, Vugar Ibrahimov, Zaur Valiyev and Elvin Hajiyev, COA public debt experts, jointly presented perspectives on debt and fiscal

sustainability; Elchin Rashidov, ADA University, highlighted sustainability, solvency and liquidity; the World Bank's Lea Hakim offered insight into strengthening public debt monitoring; and Stephanie Blankenburg, UNCTAD, provided participants with a view into debt transparency initiatives and effective macroeconomic debt strategies for sustainable development.

Aguinaldo shared WGPD recent accomplishments, including the approval and adoption of the group's Terms of Reference by the INTOSAI Governing Board in November 2018. He also noted the “Guidance on the Audit of Public Debt” exposure draft's availability for comment ([www.issai.org](http://www.issai.org)).

Jaisankar Dhandapani, SAI India, updated participants on the INTOSAI Community Portal, promoting the site as an effective and efficient platform for knowledge sharing, particularly given the geographical dispersion of working group members.

The event's agenda also included a session in which SAIs Shared experiences in auditing public debt, as well as dialogue on prioritizing activities for the group's Work Plan 2020-2022.

SAI Qatar was welcomed as the newest member of the WGPD, which is now 35 members strong. SAI Bhutan confirmed hosting the 2020 WGPD meeting, and the SAIs of Indonesia, Kuwait, and Qatar expressed interest in hosting the WGPD event in 2021.

For more information about the WGPD, visit <https://www.coa.gov.ph/wgpd/>.

# NEWS FROM THE OLACEFS REGION



## OLACEFS MARKS 54TH ANNIVERSARY

On April 9, 2019, the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) marked its 54th anniversary as a space for research, study, training, specialization, technical assistance and the exchange of ideas and experiences. OLACEFS aims to strengthen the institutional capacity of SAIs in the region and enhance collaborative efforts. Learn more about OLACEFS membership and presidency [here](#).



## OLACEFS HOLDS SUCCESSFUL GOVERNING BOARD MEETING

OLACEFS held a successful 69th Governing Board Ordinary Meeting in Lima, Peru, that brought together the Presidency, Executive Secretariat, Governing Board (GB), Supreme Audit Institution (SAI) representatives, and the German Society for International Cooperation (GIZ). During the event, the GB approved the creation of two new working groups related to fighting transnational corruption and auditing the management of disasters. Read the full story [here](#).



## RESEARCH COMPETITION TO STRENGTHEN AUDITING, CONTROL

The Presidency and the Legal Advisor Committee (CAJ) of the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) are carrying out the 2019 Regional Research Competition “Strengthening Auditing and Government Control to Benefit Latin America and the Caribbean” for OLACEFS full members and associates. The competition aims to enrich the exchange of knowledge and experience within OLACEFS to improve the quality of audits. Read the full story [here](#).

## OLACEFS IS NOW ON FACEBOOK, TWITTER AND INSTAGRAM

The Organization of Latin America and Caribbean Supreme Audit Institutions (OLACEFS) is now on Facebook, Twitter and Instagram to expand dialogue and participation within the region and enhance communication around the world. The new social media presence complements current OLACEFS platforms—YouTube, Flickr, and LinkedIn.



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### REGIONAL COMPETITION ON GOOD GOVERNANCE UNDERWAY

The Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) Technical Commission of Practices on Good Governance launched an annual competition focusing on “Supreme Audit Institutions (SAIs) and the Use of New Technologies to Detect Financial Fraud.” All professionals working in an OLACEFS-member SAI can participate. Contestants can upload relevant work at [www.contraloria.gob.gt](http://www.contraloria.gob.gt) through August 19, 2019, at 15:00 (Guatemala time). For more information, visit <http://bit.ly/2wuOBPj>.



### OLACEFS HOLDS INNOVATION WORKSHOP AT IRCP IN SOUTH AFRICA

A regional roundtable was held as part of the International Organization of Supreme Audit Institutions (INTOSAI)-Regions Coordination Platform. The Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS), represented by Chile’s Office of the Comptroller General, Executive Secretariat, led the roundtable, which took place in Cape Town, South Africa, in May. Click [here](#) to learn more about the session and the toolkit designed to provide creative solutions to challenges SAIs currently face.



### OLACEFS CONTRIBUTES TO P4R NETWORK MEETING

The Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS), represented by the Presidency and the Commissions of Good Governance (Supreme Audit Institution (SAI) Argentina) and Citizen Engagement (SAI Peru), participated in the United Nations (UN) Partners for Review (P4R) sixth network meeting (P4R) held from May 21-23, 2019, in Oaxaca, Mexico. Access the full story [here](#).



### MEMBERS PARTICIPATE IN INTOSAI COURSE ON COOPERATIVE AUDITS

The INTOSAI Subcommittee on Cooperative Audits offered a self-guided virtual course “Guidelines for the Execution of Cooperative Audits ” from April 1 to May 2, 2019, and 86 professionals from 14 Supreme Audit Institutions (SAIs) from the Organization of Latin American and Caribbean Organization of Supreme Audit Institutions (OLACEFS) participated. Learn more about the course, participants and next steps [here](#).

# PEER REVIEW SUBCOMMITTEE SHARES 2019 GLOBAL SURVEY RESULTS



The International Organization of Supreme Audit Institutions (INTOSAI) Subcommittee on Peer Reviews implements an annual global survey on various peer review aspects within the INTOSAI community.

The 2019 survey, available in English, French and Spanish, was distributed to nearly 480 delegates.

While there was success in connecting with such a broad and diverse audience, including Supreme Audit Institutions (SAIs) in more remote locations, the response rate was only 10% (lowest in survey history).

As of March 2019, statistical analysis revealed a total of 2,080 downloads of peer review-related documents currently available on the CBC web-based library ([www.intosaicbc.org](http://www.intosaicbc.org)). SAI Hungary's 2016 report and the European Court of Auditors 2014 report logged the most downloads.

Typically, if a SAI conducts two peer reviews, there is a significant break (8-10 years) between them. Additionally, peer review follow-ups, as suggested in International Standards of Supreme Audit Institutions 5600, are very seldom.

The survey also measured interest in attending a 2020 workshop in Bratislava, Slovakia, to focus practical aspects

and experiences in the peer review process. Twenty-five SAIs expressed preliminary interest in such a seminar.

At the 2018 INTOSAI Capacity Building Committee (CBC) meeting in Kuwait, the subcommittee posed adjusting the survey interval from annual to bi-annual in an effort to capture more responses in the future, as seeking input annually may be too frequent.

Visit <https://www.intosaicbc.org/subcommittee-3-on-peer-reviews-2/> to learn more about the Subcommittee on Peer Reviews.

## PSC SEEKS TO STAFF NEW TECHNICAL SUPPORT FUNCTION

Are you ready for new challenges?

The International Organization of Supreme Audit Institutions (INTOSAI) Professional Standards Committee (PSC) seeks to staff its newly established Technical Support Function (TSF).

Currently, the PSC is recruiting two TSF officers and one TSF team manager to support INTOSAI standard-setting activities.

To apply, candidates will need to submit a (1) nomination form and (2) brief letter explaining why the candidate would like to become a part of the TSF team and how his/her background and professional experience can better contribute to TSF work.

To learn more about the TSF, positions and the application process, visit the PSC [website](#).



# INDEPENDENT REVIEWS VITAL TO QUALITY, CREDIBILITY

by Brighton Nyanga, INTOSAI Development Initiative SAI Governance Department Manager



Quality management is vital to Supreme Audit Institutions (SAIs)—in audit work, as well as performance reports. Over the past few years, we have made great strides in increasing performance reporting efforts through the SAI Performance Measurement Framework (SAI PMF).

By incorporating International Standards of Supreme Audit Institutions (ISSAIs) along with global best practices, the SAI PMF is a mechanism for self, peer and external assessments that enables SAIs to examine institutional, organizational and professional capacities in a holistic and evidence-based manner.

But, how can internal and external users of a SAI Performance Report be certain the report is credible? Through independent reviews.

Independent reviews (1) help ensure SAI PMF assessment indicators and scores are applied correctly and based on sufficient and appropriate evidence; and (2) substantiate that the findings support an analysis that leads to valid conclusions.

As the global operational lead in implementing the SAI PMF, the INTOSAI Development Initiative (IDI), can conduct (or arrange for other SAI PMF experts to conduct) an independent review of draft SAI performance reports for SAIs recently completing SAI PMF assessments.

This independent review, provided at no cost to the SAI, results in a “Statement of Independent Review” issued upon the review’s completion, and seeks to answer the following questions:

- Is the report factually correct?
- Has the SAI PMF methodology been adhered to as it relates to the process for conducting the assessment, scoring of indicators, content and structure of the assessment report?
- Is there relevant and sufficient evidence to justify the indicator scores?
- Does the assessment report provide a meaningful analysis of the evidence and identify root causes of performance across the different domains and indicators?

According to surveys conducted by the IDI SAI PMF team, most assessment results are used by SAIs to guide strategic planning and to identify opportunities for enhancing capacity development efforts.

Assessments have also been used in benchmarking a SAI’s performance against the ISSAIs, demonstrating SAI value and benefits to society, and as an aid in preparing annual reports.

With an accurate understanding of the SAI’s position, SAI leadership is better positioned to implement appropriate and timely interventions to improve and maintain organizational performance.

These interventions can only be as good as the quality of the findings presented, which makes an independent review a vital step in the SAI PMF assessment process.

For more information about IDI independent reviews of SAI PMF assessments, visit <http://www.idi.no/en/idi-cpd/sai-pmf>.



## GROWING SAI YOUNG LEADERS: THE IDI STORY

“I saw the garden as a metaphor for certain aspects of my life. A leader must also tend his garden; he, too, plants seeds and then watches, cultivates, and harvests the results.”

—Nelson Mandela

When Nelson Mandela was imprisoned, he tended his garden and spoke of throwing seeds on the ground, watering them and watching them grow. Similarly, the INTOSAI Development Initiative (IDI) has observed and nurtured young leaders from Supreme Audit Institutions (SAI) worldwide through the SAI Young Leader (SYL) initiative.

As these future leaders take the journey from seedling to blossoming tree, the SYL initiative, now in its second iteration, provides nourishment through enriching exchanges, as well as leveraging work and support from the pilot program.

### **Preparing the Ground**

Before gardeners sprinkle seeds upon the ground, they must survey the land. Time and again, IDI’s experience shows that leadership drives SAI transformation and performance enhancement. While IDI and other partners can certainly play supporting roles, leadership remains at the forefront of change.

### **Seedlings**

Once the ground has been prepared, we must plant the seeds. The SYL program selection process is designed to identify candidates with the highest potential to grow and succeed. Selection also includes examining each candidate’s change strategy project (an integral component of the SYL program) having the highest likelihood for SAI implementation.

These criteria meant ensuring a SAI environment conducive to change and possessing leadership fully dedicated to the young leader, as well as the program as a whole. The IDI fulfilled both objectives through a two-stage process—assessing change strategy projects then interviewing nominated candidates.

### **Watering**

As spring began in March 2018, IDI and the participating SAIs began nurturing and growing the select young leaders. Through an intense interactive, engaging program that included workshops, communication platforms, support from SYL coaches, and innovative evaluation methods, candidates continued learning leadership skills and perfecting their change strategy projects.

### **Cultivating**

Individual responsibility combined with INTOSAI community support further cultivated young leader transformation. The many gardeners tending to the seedlings provided valuable inputs—SAI-coordinated and hosted interactions, specialists and leaders sharing personal journeys, coaches providing extensive support beyond the call of duty, and, perhaps most significantly, a network that created a climate necessary for encouragement and growth.

The inaugural young leaders established five core values, identified behaviors best reflecting those values, and endeavored to hold one another accountable for them. They also introduced the “SYL Digital Yearbook” to capture experiences, memories and achievements on the personal journeys of discovery and change.

### **Blossoming Trees**

As autumn nears, a gardener takes stock of progress and seeks to uncover key ingredients to his flourishing crop. As IDI reflects on the SYL initiative and the young leaders born from the pilot program, there is an enormous sense of pride at the blossoming trees that have taken root.

Twenty young leaders completed the first iteration of the SYL program and developed change strategy proposals on a wide variety of topics—including communications, digital solutions, data analytics employment, value chain reporting—that have already impacted SAI capacity and performance.



## PAST, FUTURE SAI YOUNG LEADERS SHARE PERSPECTIVES

The SYL Program, one of the best development programs I have experienced, provides a holistic approach that includes all facets of leadership.

Through the program, I completed a project from concept to implementation and was able to share it with other teams. It was an empowering, eye-opening experience, as the challenges I faced helped me exercise knowledge and skills and helped me grow in my leadership journey.

—Seolebaleng Nkhisang, SAI Botswana  
2018 SAI Young Leader Graduate

Some ideas and experiences have also been published ([SAI Malta Unveils Audit Smart](#); [SAI Estonia Shares Stakeholder Engagement Strategies](#)), enabling broader outreach to the global accountability community.

### ***Rising Above the Canopy***

To motivate SYLs in change strategy implementation, the IDI will present the “Best Change Initiative” award at the XXIII INTOSAI Congress in Moscow to the young leader who demonstrated the highest level of innovation, impact, quality, inclusiveness, personal growth and community values.

Fallon Stephany Arias Calero from SAI Costa Rica earned this year’s award for her innovative change strategy on design thinking, which has profoundly impacted the SAI—Fallon developed design thinking methodology, trained a design thinking team, and facilitated a design thinking audit approach while displaying significant leadership growth.

### ***Planting a New Crop in Spring***

A gardener can never rest, and when spring comes, it is time to plant a new garden. Twenty-five seedlings were selected in March 2019 to represent the new crop of SAI young leaders.

They began the SYL journey in Cape Town, South Africa, in May, and are already benefiting from the fruits of the pilot program, as previous graduates extend support and provide valuable lessons learned.

There is a Chinese idiom that weaves the tale of a group of blind men touching an elephant for the first time. Each touch results in a completely different answer in describing an elephant. Before this project began, I was like one of the tale’s blind men—not knowing what I would learn and experience.

Though the young leaders are from different countries, different backgrounds and different cultures, we have similar expectations—seeking growth and change. As we met for the first time in Cape Town, perhaps we hoped to touch the elephant exactly as we envisioned. Yet, much like the tale, communicating, cooperating and coordinating with others was key, particularly as personal observations tend to have limited data and biased interpretations.

I am confident to continue the SYL journey with my peers and with the help and guidance from IDI and inspirational INTOSAI leaders to further explore the “elephant” (change and transformation).

—Boyuan Su, SAI China  
2019 SAI Young Leader Candidate





## SAI YOUNG LEADERS LEAD US TO THE FUTURE

by Tytti Yli-Viikari, Auditor General, SAI Finland, and SAI Young Leader Coach, Mentor

Just before the turmoil and havoc, the sea was translucent and calm. Soft sounds of oars diving in the water—pushing a wooden boat smoothly forward—were in unison as a team of men rowed toward the shy promise of sunrise. Seconds later, the Sampo, a magical machine that could create riches, was lost forever as it slipped into the sea that now rolled and roared.

This story, "The Stealing of the Sampo," from the epic tale "Kalevala," has left a cultural footprint on Finnish society. Perhaps the Sampo could allow today's young auditor to easily master challenging, emerging topics—employing data analytics, ensuring Sustainable Development Goal (SDG) policy coherence, applying design-thinking to audits, enhancing stakeholder relations, ensuring audit work independence and quality. However, no such magical machine exists, so we must come together as a professional community and build new competencies to tackle such issues.

I had the honor to evoke the Sampo with the first cohort of IDI SAI Young Leader candidates, where I observed a journey that required determination, courage and a strong belief in one's ability to turn challenges into opportunities. I witnessed a group of bright minds, warm hearts and inspired audit professionals grow—as persons, as well as a network.

As the one-year program came to its end last October, I was touched by the magnitude of a common path and its impact—the young leaders had been transformed, and they exuded empowerment, positive self-awareness and joy. They supported each other, valuing the chance to reflect on leadership skills and openly share lessons learned.

The change projects they were charged with writing as part of the program compelled their respective institutions to discover and share new ways of thinking and working. Coaches encouraged similar participation and outreach efforts in what was clearly a change-making journey.

The SYL program contributes to my strong belief in the future of public audit. The operating environment, methods and stakeholder expectations are rapidly changing, but our young leaders give us a great source of inspiration. Personal leadership journeys link peers to experimentation and change, and such exposure to global challenges brings about a wider understanding and incorporates enthusiasm from a community of change leaders.

Let us welcome the next generation of IDI SAI young leaders, who cultivate the future of public external audit by working together, discovering the INTOSAI community, and sharing insights in transforming challenges into opportunities.

The treasure they gain will not disappear when storms come—it carries on in their hearts and minds and is shared by alumni eager to cheer them on!



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