

THE ART OF AUDIT

*Eight remarkable
government
auditors on stage*

ROEL JANSSEN



USA
David Walker
Page 69

Tunisia
Faiza Kefi
Page 17

Estonia
Alar Karis
Page 59

Austria
Josef Moser
Page 27

Iraq
Abdulbasit Turki Saeed
Page 91

Uganda
John Muwanga
Page 79

Philippines
Heidi Mendoza
Page 49

South Africa
Terence Nombembe
Page 39



THE ART OF AUDIT

*Eight remarkable
government
auditors on stage*

WRITTEN BY ROEL JANSSEN

COMMISSIONED BY THE NETHERLANDS COURT OF AUDIT

CONTENTS

Introduction	“The pillars of integrity”	5
<i>Faisa Kefi</i>	“La cour est dans mon coeur”	17
<i>Josef Moser</i>	Accountability, transparency and independence	27
<i>Terence Nombembe</i>	The leadership makes the difference	39
<i>Heidi Mendoza</i>	The face of trust and hope	49
<i>Alar Karis</i>	E-auditing in Estonia	59
<i>David Walker</i>	From accounting to accountability	69
<i>John Muxwanga</i>	Auditing extractive industries and the ‘oil curse’	79
<i>Abdulbasit Turki Saeed</i>	Rebuilding the Board of Audit in a shattered country	91
List of abbreviations		102
Notes		103

Lange Voorhout, The Hague



The pillars of integrity

INTRODUCTION

Strolling along the Lange Voorhout, an avenue of historic splendour bordered by linden trees in the centre of The Hague, the government capital of The Netherlands, an inattentive visitor could be forgiven for missing a small gate next to a sixteenth century church. Few know what is behind the inconspicuous entrance. Yet, there, in a newly built labyrinth of offices, a venerable government institution is located: the Netherlands Court of Audit (NCA).

The history of this audit institution originates in the thirteenth century, when the Counts of Holland first appointed civil servants to administer the bookkeeping of the County of Holland. To verify the public finances, an incipient Court of Audit was founded near the Knight's Court in The Hague. With the Constitution of 1814, which established the Kingdom of the Netherlands following the collapse of the Napoleonic Empire, the present day Court of Audit was founded. Whereas previously it had administered the finances of the rulers of the Dutch Republic, from this point it exercised its mandate on behalf of the parliament and, ultimately, the citizens.

Taxation and public expenditure have, to a great extent, defined the history of modern states. Wars have been fought, revolutions started, social conflicts have arisen and economic changes have occurred because of money. Consequently, bookkeepers have always been of huge importance. As Jacob Sols describes in his recent book *The Reckoning*¹, public accounting has shaped nations, kingdoms, empires and civilizations, and it has contributed to the creation of wealth and its destruction.

Today, Supreme Audit Institutions (SAIs) fulfil an exceptional role in the public domain. They are public institutions, yet they are – at least, they are meant to be – independent of the government. They are the ‘watchdog’ for citizens and parliament with the purpose of auditing public expenditure and examining the effectiveness of policies. In time, they moved from plain bookkeeping to regularity audits (has public money been spent correctly?) and performance audits (did the spending of public money deliver the desired results?).

Supreme Audit Institutions play a vital role in the accountability of the government and the transparency of public finances. They are at the forefront of efforts to strengthen ‘good governance’ and to gain public trust in government institutions, particularly in countries that suffered from political chaos in the aftermath of dictatorships, are in a process of transition to democratic government or are still burdened by religious or racial strife. They also play a crucial role in the disclosure of cases of corruption, not just in the highest echelons of government, but also in everyday petty bribery. Accountability, clean government and public trust are intricately linked.

Meanwhile, the role of SAIs is evolving. In many countries they are primarily public ‘watchdogs’ that focus on the fight against corruption on behalf of citizens and insist on the instalment of ‘good governance’. But an increasing number of SAIs is involved in a process of so-called ‘organizational learning’ within government. They encourage government institutions to learn from past mistakes, experiences and best practices and they want their audits to improve learning capacity in public administration. Clearly, this has implications for the position of the SAIs themselves and the way in which they operate.

The ‘digital society’, with its virtually unlimited opportunities to collect, share and analyze electronic data, is yet another advent that profoundly changes the role of SAIs. As Saskia J. Stuiveling, the outgoing president of the Netherlands Court of Audit, said in her speech at the Congress of European Heads of SAIs in The Hague in 2014: ‘open data’ cause a revolution in accountability. She compared the digital society to an expedition into unknown territory, as “nobody can foresee in what direction developments will take us, where we will be in two to three years’ time – let alone ten to fifteen years’ time.”² Therefore, she told her European colleagues, a “pioneer mindset” is needed, “to map a totally unknown territory.”³

Leadership makes the difference

Auditing, it has been said, may be seen as an institutionalization of mistrust in the system of public finances. It may also be regarded as a means to create trust in the public administration.⁴ The importance of this had already been recognized by Aristotle, the Greek philosopher, who wrote about the need to oversee the government “[...] since these

INTERNATIONAL ORGANIZATION OF SUPREME AUDIT INSTITUTIONS

Preliminary audit offices already existed in Europe in the Middle Ages when they administered the income and expenditure of feudal Lords, kings and queens. After the eighteenth century 'Enlightenment' and the French Revolution, they gradually became the supervisors of public expenditure on behalf of citizens. Since the establishment of the modern-day SAIs in Europe in the course of the nineteenth- and twentieth centuries, their development has been shaped by a recurrent exchange of experience and best practice models. Cooperation between SAIs intensified as part of the general wave of international cooperation that occurred directly after World War Two. In 1953, 34 SAIs and partner organizations met at the initiative of the head of the SAI of Cuba to take part in the I Congress in Havana. On this occasion, the International Organization of Supreme Audit Institutions (INTOSAI) was founded as an international association.

INTOSAI is a non-political organization. It is open to all SAIs of sovereign states that are members of the United Nations. INTOSAI members have separate forms of cooperation organized on a continental level: OLACEFS (1965), AFROSAI (1976), ARABOSAI (1976), ASOSAI (1978), PASAI (1987), CAROSAI (1988) and EUROSAI (1990).

INTOSAI also promotes international cooperation with external partners. Since the 1970s it has collaborated intensively with the United Nations in particular. Other INTOSAI partners include: the Organization for Economic Cooperation and Development (OECD), the International Federation of Public Accountants (IFAC), the Institute of Internal Auditors (IIA), the Inter-Parliamentarian Union (IPU) and the World Bank.

INTOSAI organizes regional conferences, provides assessments on how to foster independence, how to do audit work and build up professional capacity. It sets international auditing standards (ISSAIs and INTOSAI GOVs), it enables capacity building activities and provides a framework for international knowledge exchange. Audit institutions around the world can use more than 80 ISSAIs and INTOSAI GOVs and they can participate in a series of mutual capacity building measures, such as peer reviews and training events.

For further information: www.intosai.org

offices handle public money, there must of necessity be another office that examines and audits them.”⁵

The selection of the eight individuals interviewed for this book was made with this perspective in mind. All of them are current or (recent) former heads of Supreme Audit Institutions and all of them have made a difference in their country, more often than not under difficult, adverse and sometimes outright dangerous circumstances. As much as they have in common – perseverance, the courage to step forward without fear, the drive for change and improvement – they also differ: not only as individuals, but also in terms of location, the types of their offices and in relation to the political background of their countries. SAIs share the same mission – formalized by INTOSAI, the International Organization of Supreme Audit Institutions – but their activities differ and are influenced by local circumstances and the personal characteristics of their leadership. There is diversity in unity.

To be sure, not all of the 192 SAIs in the world fulfil a pioneering role in their country, nor are they all examples of good governance or of prominence in the fight against corruption. In some countries SAIs play a rather dormant part and are rarely heard of in public. Neither the government, nor the political system, nor the public trigger them to become more assertive. They perform their tasks without endeavouring to ensure follow-up on their findings.

In other cases, audit offices can be vivid and visibly present institutions but their findings and reports are not really acted upon by governments or parliaments. For example, for the past 20 years, the European Court of Audit (ECA) has consistently been unable to issue a positive statement of assurance regarding the transactions in the annual reports of the European Union (EU). Despite the ECA’s efforts, there has been only limited improvement in reporting on the spending of EU money. Largely, this is because governments and parliaments of the member states, who are responsible for the bulk of the expenditure of EU funds, take no action in their respective administrations. With the positive exception of Denmark, Sweden and the Netherlands, who publish so-called national declarations to account for the spending of EU funds, member states fail, in differing degrees, to improve reporting about legality and regularity of EU expenditure.

The past decade has also revealed that a number of SAIs in Europe have been slow in picking up critical developments and identifying risks in the area of public finances. They have been negligent in detecting the scope of government deficits or unable to convince the recipients of their reports of the need for action. Along with other factors, such as failures in the supervision of the financial system and flaws in bookkeeping, this has contributed to the emergence of the crisis in the eurozone.

When neither politicians, nor the voters of a country are particularly inclined to push for a more prominent role of SAIs, it is left to the institutions themselves to promote their pre-eminence in governance. It is here that the leadership makes the difference, irrespective of the political system in a country. As Stuiveling said in an interview: “It’s not the case that in a democracy you have a good Audit Office and in a dictatorship you have a poor one. [...] There are excellent Audit Offices that operate under bizarre circumstances and drowsy colleagues in exemplary democracies. I cooperate with colleagues whom I trust make the best of it under adverse conditions in their country. Of their work, of their independent position.”⁶

In her interview, Stuiveling referred to Dr. Abdulbasit Turki Saeed, the president of the Federal Board of Supreme Audit of Iraq (FBSA), but her comment applies equally to others interviewed for this book. It is remarkable that many of them refer to their work as a ‘mission’ or a ‘dream’ that they pursue.

In the case of Faiza Kefi, the retired president of the *Cour des Comptes* of Tunisia (CDC), the challenge came when, early 2011, a popular uprising put an end to the regime of President Ben Ali. The political situation after the ‘Jasmine Revolution’ demanded a new constitution and Ms. Kefi played her role in that process, while the *magistrats* of the *Cour des Comptes* were involved in investigations into corruption in the former regime.

Josef Moser, the president of the Austrian Court of Audit and Secretary-General of the International Organization of Supreme Audit Institutions, INTOSAI, is the tireless promotor of the independence of SAIs worldwide, of transparency of government finances and of citizen involvement. He epitomizes successful international cooperation between SAIs.

Terence Nombembe, the former Auditor General of South Africa, stresses the importance of the leadership of government organizations. He dreams of a clean government in South Africa. And he is convinced that one day this will come true: “There is still a lot of work to do, but I know it can happen. Even during my lifetime.”

“It’s not the case that in a democracy you have a good Audit Office and in a dictatorship you have a poor one.”

Heidi Mendoza, Commissioner of the Court of Audit of the Philippines (CoA), needs permanent security protection due to her role in the unravelling of corruption cases in the Philippines. She says that the CoA keeps hope burning in the hearts of ordinary citizens that corruption is unacceptable. On her personal role she says: “It is difficult for me to say and it may sound immodest, but I am a public face that people trust.”

For Alar Karis, the president of the National Audit Office of Estonia, the challenge is to make this small Baltic country on Russia’s doorstep an integral part of Europe, a better place for its citizens to live in and to be the avant-garde of e-government.

David Walker, the former Comptroller General of the Government Accountability Office of the United States (GAO), succeeded in drawing public attention to the issue of US federal government debt. The name change he introduced – General Accounting Office became Government Accountability Office – reflects a wider trend: not just the regularity of expenditure, but the broader accountability of the public sector gets greater emphasis in the activities of today’s Supreme Audit Institutions.

In Uganda, where oil has recently been discovered, John Muwanga, Auditor General of Uganda, realizes that his country could face ‘the curse of natural resources’, when a sudden bonanza of public revenues can all too easily be wasted, without contributing to development or benefiting the population. Muwanga had resigned as Auditor General but was called back after a one-year lapse to strengthen governance and accountability in Uganda.

Abdulbasit tells that when he took the helm of the FBSA in 2004 – he retired at the end of 2014 – he wanted to make the FBSA a role model of governance in Iraq. An institution that is professional, independent, impartial and indispensable to the rebuilding of the country. Looking back, he says: “Our biggest achievement was to rebuild the FBSA while everything else around us was collapsing.”

This is by no means to imply that these SAIs or their leaders are the sole beacons of good governance in turbulent times. Nor that these organizations can operate in isolation from the governmental and political environment they are part of. One way or another, all the leaders of SAIs portrayed in this book cooperate with the governments of their respective countries; and those governments can have their shortcomings or ignore fundamental principles of good governance. SAIs do not operate in a vacuum. They seek to be effective within the particular political, social and economic context of their country, one more turbulent than the other, and many in a constant state of transformation. The importance of building trust, strengthening ‘good governance’ and accountability remains the same, even in countries with weak governance and controversial policies in other areas. Indeed, the support of sister-SAIs can be of great importance in these cases.

The SAIs presented in this book are remarkable because of the innovative way in which they operate. In the Philippines popular ‘citizen audits’ were introduced: ordinary men and women are encouraged to participate in local audits in areas like education, health care or housing projects. South African auditors visit schools and hospitals in the townships and countryside to check what is going on and whether the government’s promises are being kept. In Iraq, several auditors have been killed. Consequently, the Iraqi Board of Audit sends its auditors abroad after they have reached their findings. The Tunisian *Cour des Comptes* actively promotes gender issues. In Uganda, a new emphasis has been found in auditing extractive industries. The Estonian SAI has drawn international attention with the way it has set up e-auditing and in Washington David Walker was involved in the making of *I.O.U.S.A.*, a documentary that warns about the rising American government debt.

Dealing with data

In the age of digitalization more and more information is available online. Thus, governments can make themselves more transparent as information becomes instantly available and easily accessible. At the same time, citizens are increasingly getting involved. Indeed, they can become so-called ‘armchair auditors’: from the comfort of their home or from their workplace, they can provide auditors with their findings on a variety of issues or even act as auditors themselves. Estonia is a well-known pioneer in e-government and the population in countries like Brazil and the Philippines is already actively involved in collecting data for audit purposes.

‘Open data’, the unrestricted electronic access to information, has been dubbed the ‘new oil’ that lubricates modern societies. It has far reaching implications for all government agencies, including SAIs, as it requires them to drastically change the way they organize their work. Stuiveling, in her aforementioned speech to the European auditors in The Hague, compared the advance of the electronic information era with the introduction of book printing in the fifteenth century. Both events speeded up the borderless access to and dissemination of information. Citizens will demand real time access to government budgets and programmes, she predicted.⁷ It goes without saying, according to Stuiveling, that governments should provide all the information that they have at their disposal. As governments and their policies are paid for from the public purse, their data must be available to the public.

In her presentation she referred to a striking example of a government activity that is already fully transparent: the economic programme based on the American Recovery and Reinvestment Act (ARRA) of 2009. The way ARRA money is spent has been made accessible to the public. Without restrictions, ARRA’s expenditure is made public, in real time and in detail (down to the level of the US postal ZIP code) on the website

www.recovery.gov. In his interview, David Walker also refers to this example, simultaneously pointing out that providing unlimited amounts of data in itself is not sufficient to foster transparency. Clarification and interpretation of the data still remains to be done.

What role can SAIs play in this ‘open data society’? In a way they lose their privileged position when almost everybody has virtually unlimited access to information. SAIs will have to make full use of their special position and their experience to assemble and critically analyze information. Moreover, they are legally entrusted with access to *all* government institutions, including those areas that even in these days remain off limits to others. As Stuiveling mentioned in an interview: “The NCA is the only institution in the Netherlands that has access to state secrets and private or commercially sensitive information. Only we can enter at the AIVD [the Dutch secret service], the Tax office and the Ministry of Defence. In these fields, we are unique.”⁸

Occasionally, however, even SAIs encounter limits in their access to data. Government entities sometimes refuse to declassify information that is considered confidential or secret due to security reasons. For example, in the aftermath of the financial crisis, the Netherlands Court of Audit developed an interest in auditing the supervisory activities of the Dutch central bank (DNB). But DNB refused to give the NCA access to the data it collects from the private banks it supervises, citing legal obligations of secrecy. The same happened in the United States with the GAO and the Federal Reserve Bank. Both the NCA and the GAO ran into the limits of their auditing powers. In 2014, full access to this information was almost settled in both countries. However, the introduction of the Single Supervisory Mechanism (SSM) in November 2014 transferred the supervision of the largest banks in the eurozone from the national authorities to the European Central Bank (ECB). As a consequence, the NCA is still not able to scrutinize the supervision of the seven ‘significant banks’ in the Netherlands. As of early 2015, it remains to be seen whether the European Court of Audit in its turn will be entrusted with an explicit mandate to exercise scrutiny over the ECB’s banking supervision.

That said, information flows will keep proliferating and thus affect society and government. ‘Wikileaks’ and the disclosures by Edward Snowden have revealed the vulnerability of governments to outsider’s revelations. Certainly, the dynamics of the digital revolution are a two-way street: from inside to outside and vice versa. This is also illustrated in the way SAIs publish their audits. Increasingly, findings are not published in bulky reports, but rather are posted immediately online on the website of the SAI. This hugely increases the accessibility for citizens. A remarkable example occurred in Tunisia, where, as Ms. Kefi relates in her chapter, the publication of SAI reports was seriously restricted during the authoritarian regime. After the Tunisian ‘Jasmine Revolution’ the *Cour des Comptes* immediately published all its reports, including those that previously had been censored by the government, online.

International support for SAIs

The role SAIs play as independent institutions to enhance accountability, transparency and the fight against corruption is broadly recognized – particularly in developing countries or nations where profound political changes have occurred. This is in no small part thanks to the activities of INTOSAI. It provides technical assistance and functions as a platform for debate. It also plays a pivotal role in the promotion of critical self-assessments, by way of peer reviews that SAIs carry out among themselves.

Over the years, INTOSAI has fostered close relationships with the United Nations, the World Bank, the Organization of Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF). As recently as December 2014, the United Nations General Assembly adopted a resolution that reconfirmed a previous resolution (of December 2011) on the importance of independent auditing. With a reference to its ‘Post 2015 Development Agenda’, the UN stressed that SAIs “[...] can accomplish their tasks objectively and effectively only if they are independent of the audited entity and protected against outside influence.”⁹

The World Bank calls SAIs “the pillars of integrity.”¹⁰ In their guidelines, the World Bank, OECD and IMF emphasize the importance of strengthening audit capacities in developing countries. Likewise, SAIs are usually part of the technical assistance programmes implemented by these organizations. According to an OECD document, “[...] well-functioning SAIs can play an important role identifying waste and suggesting ways in which government organizations can operate better, [...] producing objective and rigorous audit reports aimed at bringing about beneficial change in the way governments manage public resources. [...] They are a key part of the public financial management system in a country, providing reassurance to parliaments, citizens, development partners and others that governments are managing their monies well.”¹¹

However, the OECD adds a caveat: “The reality in many countries is that SAIs are not functioning as they ought to. They lack authority, skills and resources to carry out thorough audits and to report the results freely and without fear.”¹² As Josef Moser, the INTOSAI Secretary-General, says in his chapter: a lot of progress has been made, but a lot of work remains to be done in the future. This book is a modest contribution to that endeavour.

*“[...] well functioning SAIs
can play an important role
in identifying waste.”*

Acknowledgements

This book came about as an idea to mark the retirement of Saskia J. Stuiveling as president of the Netherlands Court of Audit in June 2015. After 31 years at the NCA, since 1999 as its president, it was deemed a good opportunity to highlight the work of a number of her colleagues from the international SAI community. The project took shape without Saskia's knowledge, yet the interviews are on topics she has been particularly involved in. The scope of this book is to illustrate the contributions of SAIs to accountability and good governance in a variety of countries all over the world and to highlight innovations in the working of SAIs.

All (former) heads of SAIs, with whom Saskia had close working relations, did not hesitate to contribute to this project. I am grateful for the kind cooperation of Faiza Kefi, Josef Moser, Terence Nombembe, Heidi Mendoza, Alar Karis, David Walker, John Muwanga and Abdulbasit Turki Saeed, all of whom made themselves available for interviews. Two interviews were done in person, six were conducted via Skype. This did not always prove easy, as the internet connections were sometimes fragile. Ms. Mendoza of the Philippine Commission on Audit even ordered all her staff to turn off their internet access in order to ensure a better connection during her interview. In the case of Dr. Abdulbasit, who was interviewed in a hotel outside Iraq, his assistant Ms. Ghaidhaa al Qadi was an invaluable interpreter.

At the Netherlands Court of Audit I was lucky to have the support of a small group of staff who provided essential knowledge and background information on the interviewees. I am grateful to Nicole Raaijmakers, Karen de Kruijf, Ina de Haan, André van Ommeren, Roel Praat, Inger Bos, Ina Hopman, Rina Fontijn and Andrea Connell who gave feedback on the interviews and helped with data gathering. Kees Vendrik and Arno Visser, both vice presidents of the NCA, and Secretary-General Ellen van Schoten, who were the initiators of this project, also provided valuable input.

Above all, I would like to thank Mirjam Brandenburg who was indispensable in setting up the interview appointments and helped with gathering information. She consistently kept track of the progress of the process, making sure that deadlines were kept and draft texts were available in time. It was a pleasure working with her and all of the NCA's staff. They made it possible for this book to appear on the occasion of the retirement of Saskia J. Stuiveling.

Roel Janssen



“La cour est dans mon coeur”

FAIZA KEFI

Politics has always been part of Faiza Kefi’s life, partly by coincidence. For someone like Faiza Kefi, who has vast experience in the public domain, unexpected events can be used to bring about certain long-desired changes. So when the sudden ‘Jasmine Revolution’ in Tunisia became a catalyst for the Arab Spring in early 2011, she knew exactly what needed to be done.

Kefi was in her final year as the president of the Cour des Comptes, the Tunisian national audit office. This turned out to be a crucial position in those confusing months following the ousting of President Ben Ali, when a new constitution had to be written during the transition from an authoritarian regime to a society with civil liberties and democratic institutions.



Tunisia

Population (2014)

11,116,899

GDP (2013)

46,993,598,818 USD

Government expenditure (2012)

35,3% of GDP

Headquarters SAI

Tunis (4 regional offices)

FAIZA KEFI COUR DES COMPTES OF TUNISIA

President of the *Cour des Comptes* of Tunisia from 2003 to 2011. Faiza Kefi was born in 1949. She studied public law at the University of Tunis and holds a degree from the National Civil Services School. She held posts with a number of ministries and served as Minister of the Environment and National Development. She was a member of the Tunisian delegation to the World Conference on Women in Nairobi (1985) and president of the Tunisian National Women's Union. She was also Tunisia's Ambassador to France from 2001 to 2003.

The Tunisian *Cour des Comptes* was created by law in 1968 and reconstituted as an independent institution in 2011 after the fall of President Ben Ali. The Court is mandated to perform both financial external audits and performance audits of central government and the local authorities. It has a dedicated chamber at central level as well as four regional chambers covering the entire territory. Its role and mandate are set out in Article 117 of the new Constitution of 2014.

Budget (2015): TD 10 million (€ 5 million).
Personnel (2015): 338.

Website: www.courdescomptes.nat.tn

Kefi had been in and out of public office during the regime of President Ben Ali, who ruled Tunisia from 1987 till 2011. She was also heavily involved in Tunisian and international women's rights. When she was appointed as head of the *Cour des Comptes*, about 22 per cent of the magistrats (the Court's auditors) were women; by the time she left it had risen to more than 30 per cent. Despite this, the male-dominated macho culture was a force to be reckoned with, as she discovered when she tried to redress the gender imbalance by appointing more women to decision-making positions. "Not because they were women, but because they were competent enough to hold posts that suited them," she says. "Although we didn't stress the gender issue every time we did an audit, I never abandoned the fight for women's rights. By the time I left the Court, we had decided to pay more attention in our audits to problems like the flagrant discrimination of women."

"The Court of Auditors was always considered as an '*institution de reference*'," she says, respected as a constitutional institution because of the seriousness of its work and the competence of its auditors. In the Tunisian system, based on the French tradition of courts of audit, the auditors hold not just auditing powers, but are also endowed with administrative judicial rights. After Ben Ali fled the country, the auditors were called in to denounce irregularities that had taken place under his regime and played an active role in anti-corruption inquiries.

Under the old government, the Court was entitled only to publish summaries of its audit reports. That changed with the Jasmine Revolution of early 2011. "We published all our reports of the previous five years on our

website. That was very useful. Many people referred to them and made use of them,” Kefi recalls.

While Ben Ali was still in power, Kefi had asked in vain for the law on the Court’s operation to be reformed, so she knew exactly what she wanted in the new political situation. “The Court was dependent on the prime minister’s office, so we wanted the two to be detached from each other. We were convinced that we needed more independence from the state budget, more freedom to recruit auditors and specialists, and greater autonomy to use our budget according to our own needs. Although a number of minor concessions were granted under the past system, our fundamental demands were always refused,” she explains.

“After the revolution, we felt free to say what we wanted to say. I think it’s fair to say that there’s no longer any self-censorship today.”

Talks on the new constitution began immediately after 14 January 2011, the day Ben Ali fled to Saudi Arabia. When it was finally approved in 2014, the new constitution recognized the Court’s authority as part of the judicial system and acknowledged its contribution to financial justice and transparency. The constitution also defined the relationship between the Court and the new Parliament. It is entitled to perform specific audits at the request of Parliament. But the constitution did not grant all the demands relating to the Court’s independence. For example, the president of the Republic still appoints the president of the Court and the Court still has no budget independence. Nor have the recruitment of staff and the relationship between the Court and the government been satisfactorily formalized. The Court continues to demand complete independence. Despite not being in charge any more, Kefi remains active behind the scenes on the Court’s behalf. “I talk with prominent people and try and convey my beliefs to them. *La Cour est dans mon coeur* (The Court is in my heart): it has allowed me to get to know so many honest and dedicated people. I cannot possibly forget them.”

After the revolution

The Court’s activities changed substantially after the revolution. Suddenly, it was entitled to publish unabridged reports, including critical conclusions. Before the revolution, it had applied a form of self-censorship to its publications. “We used to restrain ourselves. We

didn't say that something was entirely bad. Instead, we tried to strike a balance between good aspects and those that were less good. After the revolution, we felt free to say what we wanted to say. I think it's fair to say that there's no longer any self-censorship today."

Another change was that all audit reports are now published on the Court's website. Everybody can read its reports and take note of any irregularities that have been found. Press access has also greatly improved. Before 2011, there were hardly contacts with the media, partly by choice of the Court, and partly because there was no freedom of the press in Tunisia. Now, the Court's *magistrats* can appear on television or give their opinion in the newspapers. In the aftermath of the revolution, journalists had trouble understanding the Court's role. "We had to make clear to journalists what the Court does and what they can and cannot find in our reports," Kefi recounts.

After the demise of the Ben Ali regime, the Commission of the Fight against Corruption (CFC) was installed. From the outset, it based its activities largely on Court audits performed under the previous regime. One example is an audit report on the management of Tunisian state television. After this report was published, the CFC used it to denounce irregularities identified by the Court at the state television company. The same happened with a report on irregularities at the Ministry of State Properties, where some contracts had been awarded without being submitted to a regular and transparent procedure. At the time, the Court had only been able to publish a summary of its audit without mentioning any corruption-related findings. But now it could be open about its findings and the report was picked up by the CFC.

A number of *magistrats* became members of the Commission on the Fight against Corruption. Cases of flagrant corruption were sent to the Ministry of Justice and, when the perpetrators' guilt had been confirmed, they were forced to pay back the money they had stolen. Some went to prison, but most of them were released shortly after. A number of

managers at the Tunisian state television company were fined. Staff at the Ministry of State Properties who had signed improper contracts were convicted and the goods they had stolen were confiscated.

A Constituent Assembly was elected in 2011. The Court found irregularities in the way parties were funded and fined them under the old law on political activities. A much tougher new law on party funding has been passed and the Court now has a

“There is no doubt about it: the Cour des Comptes is the guardian of the political process in Tunisia.”

better legal framework in which to perform its activities in this field. It is entitled to inspect all party documents and to conduct any investigations it deems necessary. A special team has been formed for auditing political parties and election funding. Parties that have committed serious violations of the law can be banned from taking part in subsequent election campaigns. “There is no doubt about it: the *Cour des Comptes* is the guardian of the political process in Tunisia,” Kefi says. “We want to have transparent, credible elections. So it’s important that they are monitored by observers.”

The Court acts both as an observer and an administrative court that penalizes misbehaviour. This has a preventive effect, Kefi confirms: “Watch out! The *Cour des Comptes* is here as a watchdog.” The Court plays both an ethical and a practical role in making sure that rules and regulations are properly enforced. She hopes that sanctions will dissuade politicians from doing something wrong the next time, because they realize they might be excluded from the democratic process as a result.

One Tunisian political party was fined in 2011. Following the parliamentary elections in 2014, the Court is currently (i.e. late 2014) investigating possible irregularities and infringements of the law.

The government may be tempted to manipulate the Court for its own benefit, and this has to be avoided at all costs, Kefi says. In order to ensure that its credibility is not called into question, the Court makes a huge effort to guarantee its neutrality. She recognizes that the general public has trouble understanding the concept of neutrality. “We had to explain to the

POLITICAL PARTY AND ELECTION FUNDING IN TUNISIA

Tunisia has limited experience in organizing democratic elections. The *Cour des Comptes* monitored the electoral process in 2011, especially the funding of political parties and campaign costs. Although the law allows both public funds and private and foreign funds to be used for this purpose, there were no clear definitions and regulations. A particular problem was the recovery of public funds from candidates who failed to gain the minimum number of votes. Only three per cent of the public funds awarded to such candidates was recovered, leading to significant losses to the state and citizens.

A new electoral law passed in 2014 created a better legal framework with clearer regulations and definitions. The law also introduced mechanisms for up-front public funding of electoral campaigns, a key requisite for a stable electoral process. It also imposed conditions on bank accounts held by political parties and enabled stricter sanctions to be imposed on offenders. The new law was first applied during the 2014 parliamentary elections, which were branded as ‘generally clean’.

public that our role is not to get scoops for the press, nor to put people in jail or to create scandals. Rather, it is to improve the working of government institutions and to guarantee that taxpayers' money is put to efficient use.”

As in all countries, health care and education are heavily dependent on the government and consume a large proportion of public funds. The Court performs annual audits on these sectors, at both national and regional levels. Its reports have found evidence of public funds being squandered and things not going as they should. In most cases, this was not deliberate, but resulted from administrators not abiding by the rules, not knowing the rules or simply forgetting procedures.

Kefi: “We did not throw directors of schools, faculties or hospitals into jail. We are not a ‘monster court’. Instead, we advised institutions about how best to perform their day-to-day tasks and showed them how to avoid irregularities, improve their work and obey the rules. Where we believed that people were acting in bad faith or were intent on committing swindles, we relied on the *Cour de Discipline Financière* to impose fines. Or we passed the dossier to the Justice Department to intervene.”

Performance audits

As a member of the international community of Supreme Audit Institutions, the Tunisian Court learned about performance audits and, from 2005 onwards, started to move from regulatory audits to performance audits. Kefi actively promoted this transformation: “We didn’t totally abandon regularity audits. Rather, we added performance audits to our product range.” There was a kind of passion at the Court to apply these new forms of auditing, she recalls, and for a while the tendency was to do as many performance audits as possible. A new equilibrium had to be found, in which regularity audits continued to be

1968	2003	2011 (January)	2011 (May)	2011 (July)	2011
The Court des Comptes is created by law.	Faiza Kefi takes office as president of the Cour des Comptes.	Jasmine revolution; 14 January President Ben Ali flees the country.	The CdC publishes its reports of the previous five years on its website.	Faiza Kefi leaves office. Since 2014, M. Abdellatif Kharrat has been president of the CdC.	The Cour des Comptes gains independence from the government.

performed alongside the evaluation of strategies and policies. The Court is very satisfied with the trend towards more performance audits as they deliver tangible results.

Kefi: “The politicians were opposed when we first started doing performance audits. They told us it was not our competence. We replied that we did these audits from both a financial and a budgetary viewpoint and that they were complementary to the work of Parliament. Parliament exercises political control, and we investigate how money has been spent and whether or not it has been well spent. We then try to persuade the public to press for changes in government policies.”

The Court has performed about fifty performance audits to date. Kefi cites the case of the production of dates, a Tunisian speciality. When the Court audited the government’s strategy for improving date production during the Ben Ali regime, it found a huge gap between what the regime had promised and what it actually delivered in practice. It identified serious flaws in the strategy at the Ministry of Agriculture and all other institutions involved. The strategy covered all aspects of date production, from irrigation to the number of dates on palm trees. The audit showed that large parts of the programme had not been implemented, that obstacles had not been identified and that the strategy had undergone a profound change, like the reduction of quantitative objectives, during the course of the programme.

The Ministry of Agriculture was furious, claiming that the Court’s auditors did not know anything about date production. When the Court presented its findings at a cabinet meeting, the Minister of Agriculture rejected the report. In the end, it was decided that the Court should continue its work, but that the audit findings would not be made public. It was not until after the revolution that the Court published its report on date production on its website.

2014

New Tunisian constitution, Article 117 sets out CdC’s role and mandate.

A performance audit on the use of information technology in schools had a more positive impact. The audit covered the entire process, from the way the government introduced IT in schools to its use in the classroom. On this occasion, the Ministry of Primary and Higher Education took the report seriously. They stepped up their efforts to embrace IT, extended the use of computers in classroom teaching and improved teacher training. Security in schools was intensified, as computers were frequently stolen from classrooms. The recommendations proved to be a great help to the Ministry. All the Court's recommendations were adopted, Kefi reports.

Corruption

Tunisia does not rank very high on Transparency International's league table, formally known as the Corruption Perceptions Index. Its score has fallen over the past three years, and it now ranks 79th out of 175 countries. At the same time, "Tunisia doesn't really suffer from major corruption," Kefi says. The problem is minor corruption in the public domain. Minor corruption occurs in all walks of life, and among all social classes. Kefi: "If you want a public service, you have to pay for it. You pay to make your life easier. You pay for everything. This system is hard to eradicate because ordinary people are not aware they can simply say 'no'. So the institutions that fight corruption have to tell the public at large: 'Say no! Stop!'"

The Court cannot fight corruption on its own. Kefi believes that any action taken by the Court must form part of a concerted campaign. The public and the government alike are responsible. Civil society organizations must be mobilized. People must be made aware that they have the ability to change things. And there must be more surveillance. But the mechanisms and institutions for fighting corruption remain weak.

As regards the bigger problem of institutionalized corruption in the public domain, here the *Cour des Comptes* does have a key role to play. "We have done so in the past and we will continue to do so more rigorously in the future, especially now that the Court has more freedom to act." Kefi says she has never encountered any cases of corruption affecting Court auditors. "They are people of great integrity. I have tremendous confidence in them and in the way they do their jobs." She cites the case of a magistrate who was involved in a hospital audit. The magistrate admitted that he had been offered a free health scan, but said he had wanted to pay for it and so had declined the offer.

International cooperation

INTOSAI is important for the Tunisian Court of Auditors, because it alerts the government auditors in Tunisia to what is happening in other parts of the world, to new techniques and products, and to the experiences of other SAIs. The Tunisian Court has performed joint audits of public contracts with the SAIs in France, Libya and Iraq. Its partnership with the Netherlands Court of Audit has been a particularly positive experience, as the Dutch audit office has a reputation for performance audits. The Dutch put the Tunisian Court in touch with EUROSAI, and this has enabled the Court to closely follow developments within European SAIs. It shares information on new audit techniques and the experiences of other SAIs, like the quality of performance audits, with SAIs in the Arab world. The Tunisian Court manages the secretariat of ARABOSAI.

“International cooperation has been indispensable for capacity-building and staff training,” Kefi comments. “When you launch something new like a performance audit, you need to know how to use it. The technique does not come to you by some sort of miracle. You have to take advantage of the experience of other people who are willing to share their knowledge with you. It was most generous of the Netherlands Court of Audit to share their time, money and resources with us, so that we and others can improve our professionalism.”



Accountability, transparency and independence

JOSEF MOSER

Josef Moser looks a bit like the Big Friendly Giant of Roald Dahl's famous children's book. Charming and tall, the Austrian is the tireless promotor of the role of Supreme Audit Institutions (SAIs).

Since 2004 the law-trained former public servant, businessman and politician has been the president of the Austrian Rechnungshof, one of the oldest SAIs in the world. In this capacity, he is also the Secretary-General of the International Organization of Supreme Audit Institutions, INTOSAI.

“It's the prime task of Supreme Audit institutions to check and communicate what happens to public money. Therefore, an effective audit institution has to share its activities with the citizens, the media, and all stakeholders. It must be transparent. That is the only way to be truly independent,” Moser sums up his message.



Austria

Population (2014)

8,526,429

GDP (2013)

428,321,897,648 USD

Government expenditure (2012)

38,3% of GDP

Headquarters SAI

Vienna

JOSEF MOSER

AUSTRIAN COURT OF AUDIT

President of the Rechnungshof of Austria (Austrian Court of Audit, ACA) from 2004 to date. Secretary-General of the International Organization of Supreme Audit Institutions, INTOSAI, from 2004 to date. Josef Moser was born in 1955. He studied law at Vienna University and graduated with a doctoral degree in 1981. He has held various functions in Austria's provincial and federal governments and was Director of the Parliament Club of the Freedom Party and a member of the board of directors of the Austrian railroad company.

The ACA has its origins in 1761 when Empress Maria Theresia installed the Rechenammer for the Austrian Empire. In 1939, the functions of the ACA were transferred to the Rechnungshof of Germany. In 1945, under the provisional constitution, the ACA was re-established. In 1963, the ACA was entrusted with the General Secretariat of INTOSAI.

The ACA is a federal body that acts on a state, länder and municipal level. In line with its independence laid down in the constitution, the ACA verifies that state, länder and municipal budgets are being spent economically, efficiently and effectively.

Budget (2014): € 31 million. Personnel (2014): 301.

Website: www.rechnungshof.gv.at

Internationally, the task of INTOSAI is to push SAIs to higher standards. “Our aims are to enhance accountability, transparency and the fight against corruption. To that end, in every country, we need an accounting system that gives its citizens the possibility to look inside the way the government spends its money.”

The experiences and competences of SAIs in the world differ widely. At the same time, globalization and other developments make new forms of cooperation necessary and fruitful, like joint audits in the environmental sector. The international network also opens possibilities to strengthen the independence of SAIs. For example, INTOSAI used its contacts with the United Nations to anchor the principles of independence of audit institutions in a General Assembly Resolution of the UN.

Financial crisis

The banking and fiscal crises of the recent past have enhanced the role of audit institutions. “Like the question Queen Elizabeth in 2008 famously put forward to economists, citizens are rightly asking us: why didn't you see it coming? Were the audit institutions in place when the financial crisis broke out?” Moser says.

Coping with the crisis of the financial system – and in Europe the eurocrisis – the European Central Bank, the European Commission and national supervisors play their part. Audit Institutions also have their role as huge amounts of state money have been spent or were put forward as guarantees for the rescue of the banking sector and of eurocountries that faced financial collapse.

Moser: “The question is: who is responsible for what? In response to the eurocrisis there has been a shift of competences from the nation states to Brussels. Therefore, we need a new ‘control architecture’ in Europe. In this respect, the tasks of the national SAIs and of the European Court of Auditors (ECA) also have to be clarified.” He refers to the new instruments for fiscal and budgetary governance of the European Union – the European ‘Semester’ (the cycle of

economic policy guidance) and the so called ‘Six Pack’ and ‘Two Pack’ (respectively covering the strengthening of the Stabilization and Growth Pact and the position of the European Commission in monitoring national budgets). These far reaching agreements have profound implications for the role and tasks of the SAIs – both the audit institutions of the EU Member States and the ECA. “This has to be a topic of the discussion if we, the SAIs, want to keep our independence and be influential on the related public debate,” Moser says.

*“As an auditor
you hold a
mirror in front
of the face of
politicians.”*

‘Scapegoat Europe’ and the urge to reform

Frequently, politicians agree on European rules but they blame ‘Brussels’ when national resistance arises. Here too, SAIs have to play their role, according to Moser. “We confront politicians with the message that they are part of the system. They have to implement in their own country what they have decided in Europe.”

When national governments implement reforms that have been agreed upon in Brussels, they need cooperation at the regional and local level. It is here that they often encounter resistance. In Austria, for example, the *Rechnungshof* underlined that European decisions in the area of environmental protection, adopted by the national government, had to be implemented at the provincial and local level. “Our insistence did not make me popular among regional politicians,” Moser recalls. “But as an auditor you hold a mirror in front of the face of the politicians. We show the facts. Thus, we are a driver for reforms and changes in public administration processes across all levels of administration.”

In the decade before the financial crisis the economic growth rates in Europe were satisfactory, yet most governments maintained substantial fiscal deficits. Since then, the

gaps in the public finances have become greater. Moser stresses that the European audit institutions have to make strong statements on the unsustainability of government deficits and the need for structural reforms, as they are the watchdogs of the expenditures of governments. SAIs must inform citizens about the budgetary situation in their country. In order to do so, public accounting systems have to give a true and fair picture of the public finances. This, Moser says, is not always the case in all countries.

AUDIT AND THE EUROPEAN DEBT AND BANKING CRISIS

After the outbreak of the banking crisis in 2008 and the subsequent European debt crisis the European Union and its member states took a number of measures. Through instruments such as the European Financial Stability Fund (EFSF) and the European Stability Mechanism (ESM) financial assistance was provided to five eurocountries in distress: Greece, Ireland, Portugal, Spain and Cyprus. Eurocountries were obliged to guarantee commitments of hundreds of billions through the ESM and the EFSF. Until August 2014, approximately € 450 billion was disbursed to these countries from those funds and from the IMF.

In order to prevent future spillover from troubled banks that threatened national budgets and, ultimately, the eurozone and the EU as a whole, the European Banking Union was agreed upon. From November 2014, the largest banks of the member states that participate in the banking union are subject to supervision by the European Central Bank (ECB). Starting in 2015 there will be a single resolution mechanism for troubled banks.

At the time these facilities were established, no specific audit arrangements were foreseen. Subsequently, some arrangements for accountability were introduced. Through the combined efforts of a few European SAIs and the European Court of Auditors (ECA), an independent board of auditors was installed at the ESM. Depending on their mandate, individual SAIs can audit the contributions of their respective governments vis-à-vis the economic and financial crisis. Most SAIs investigated the government support given to troubled banks in their countries and exchanged experiences in this new area of auditing. Moreover, parallel to the establishment of the European Banking Union and considering the flaws in the past supervision of the banking system, several European SAIs raised questions regarding their mandate to audit the supervisory activities of their central bank and their access to the confidential information of the central bank. Not all SAIs are mandated to do so. To date, the ECA does not have an explicit authority to audit the quality of the banking supervision that has been transferred to the ECB.

Forward-looking

In addition to fiscal problems, all EU nations struggle with related structural problems: particularly the costs of health care, pension and education systems. They all have to cope with the effects of an ageing population and they all have to deal with the external threats of their economies. The European welfare state that was built in the past, will absorb large sums of money in the future. In order to maintain its competitiveness, Europe must reform the system, according to Moser.

This is one reason, he says, why SAIs have to be forward-looking. “In the past, we made ex post audits about what went wrong and what should be corrected. We told the auditees: you did not spend public money in an efficient way. Now we ask them: what was the benefit of the money spent? Why did something go wrong and what solutions have you put in place to prevent it happening again in the future. Of course, we still look back with our regularity audits, but with our performance audits we try to advise future solutions so that mistakes will not be repeated.” It means that auditors have to operate differently. Their real work, Moser says, starts after publishing their report: “We have to convince politicians or public servants that they implement our recommendations. So after our auditing, we do advisory work.”

Politicians are reluctant to accept recommendations from auditors. It is a sensitive issue, Moser recognizes, as policymaking is not the job of auditors. They have to remain within the scope of their audit framework and document every step of the auditing process. “When you have a fact based report and you show that public money is not spent in an efficient way, you can advise politicians how to improve things within the framework of the audit you have done. If you neglect that, you can easily be accused of being subjective. That could harm your reputation of objectiveness.”

Austria

In 2011, the Austrian Court of Audit (ACA) issued a document with 599 reform proposals on matters such as health, schools, security and justice. It also contained suggestions for the critical examination of public tasks, rationalization of organizations, reform of public finance, budgetary consolidation and reduction of the state burden on the economy. The proposals, based on the ACA's audit reports, showed that comprehensive structural reforms in consultation with local authorities were needed in Austria in order to ensure sustainable public finances in the future. Since then, these reform proposals form a constant part of the political debate and they influence the reform process, Moser tells.

The *Rechnungshof* defined a multi-annual Midterm-Plan, comprising a set of effectivity and

quality goals that are the basis for its annual focus. In 2013 this was ‘Interdependence of competences and financial streams in the multi-layer federal state’ and in 2014 it was ‘Internal Control Systems.’ Moser: “We point out what our key issues are and then we choose topics for our special audits. With clear selection criteria we show what we do with the limited resources available to us.”

In the past, Austrian auditors visited a public institution every year. Audits were carried out according to the framework used the previous year. As their tasks have widened, auditors need to apply a broader approach. They must also examine the impact of expenditure on the national or the regional levels. A local politician may be convinced that spending public money on a road is a good investment, but things may look different from a national perspective. The local road can be a waste of money.

Another example is the acquirement of the Eurofighter. Over the years, the ACA undertook several audits into this project. Its supporters claim it provides contracts for the Austrian industry and jobs for workers. But is it sustainable, taking into account the costs of maintenance in the future? Is this plane suitable for the military tasks it is intended for? Moser: “These are essential questions. That’s why we have to look at the broader perspective and give politicians and the public the other view of what can happen.” The ACA found the project suffered from maladministration and severe cost overruns compared to the initial budget. The deployability of pilots is also a problem. The findings of the ACA on the Eurofighter were discussed in parliamentary debates and enquiries.

Citizens

The *Rechnungshof* is number one on the trust index of public institutions in Austria. Citizens consider it an institution that presents fact based, objective recommendations, according to Moser. It does not take political viewpoints, it indicates problems and provides recommendations. “Politicians have to solve the problem. That is their job,” he stresses.

Nowadays, citizens are much better informed and they exert more pressure to tackle the waste of public money. Citizens’ groups actively confront public institutions with their own findings. Therefore, it is vital that the *Rechnungshof* nurtures its contacts with the public.

Moser: “Citizens consider us as their partner. In turn, they provide us with suggestions for topics to be investigated. They send hundreds of letters a year to us. They alert our auditors about problems, irregularities or possible corruption in risk areas like procurements, where a lot of money is involved. This information is used in our audit planning. We cannot dig into every single case, but we cluster problems and then report on them with recommendations to make changes.”

Sometimes politicians ignore the recommendations of the *Rechnungshof*. They fear that they will lose the next election if they implement a particular measure, while their successors will have the benefits. Moser usually tells them: “That may be true but you don’t have time till the next election. The problem is now and the citizens feel that money is not used in an efficient way.”

Changes take time, however. Year after year the *Rechnungshof* made critical remarks about the pension system of the Austrian central bank. Employees at the central bank could retire at the age of fifty with an average pension of 80,000 euro per year. Finally, in 2014 the central bank agreed to change its retirement programme. Moser: “When you want to make the pension system sustainable for the future, you cannot have exceptions for some people. All citizens must bear the burden. The time has passed that we can finance private privileges with public money.”

INTOSAI

As the Secretary-General of INTOSAI, Moser is the main player in the international field of SAIs. The so-called Lima and Mexico Declarations of INTOSAI determine that SAIs must be independent from governments and have the right to publish their reports without government interference. Thirty years after the Declaration of Lima (1977) the INTOSAI Congress in Mexico (2007) reaffirmed the principle of independence. This was deemed necessary because it was evident that many SAIs still lacked essential elements of independence.

INDEPENDENCE OF SAIs

In 2011 INTOSAI succeeded in anchoring the corner pillars of the independence of government auditing in the Resolution of the United Nations A/66/209 Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening SAIs. In this Resolution, the United Nations expressly recognizes that “Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent from the audited entity and are protected against outside influence.” The core principles on SAI independence are specified in the Mexico declaration (2007):

- the existence of an appropriate and effective constitutional/statutory/legal framework and the de facto application provisions of this framework;
- the independence of SAI heads and members of collegial institutions, including security of tenure and legal immunity in the normal discharge of their duties;
- a sufficiently broad mandate and full discretion, in the discharge of SAI functions;
- unrestricted access to information;
- the rights and obligation to report on their work;
- the freedom to decide the content and timing of audit reports and to publish and disseminate them;
- the existence of effective follow-up mechanisms on SAI recommendations;
- financial and managerial/administrative autonomy and the availability of appropriate human, material and monetary resources.

As of 2015, there are 192 SAIs worldwide. Their independence and transparency are interlinked, because without openness, their conclusions can be censored and SAIs are not effective. These basic principles are supported by international organizations like the World Bank and the Organization for Economic Cooperation and Development (OECD). In December 2014, the UN adopted a resolution that stresses the importance of independent SAIs for the ‘Post 2015 Development Agenda’ – the follow up to the UN ‘Millennium Goals’ for development. INTOSAI cooperates with both the World Bank and the UN in order to strengthen the position of SAIs in developing countries with capacity building, improvement of public accounting systems and help to combat corruption. They also facilitate SAI projects aimed at good governance.

When Moser started as the Secretary-General of INTOSAI in 2004, he regularly asked representatives of SAIs in developing countries: is your institution independent? Moser: “They would say ‘yes’ and they would tell me, for example, that they had their own computers. Then I went to visit them and I saw there were no computers in their offices and I noted that they depended on the government to make the payment of their membership fee of INTOSAI [\$ 400/year]. In other words: they were not independent at all.” Nor did the legal situation in many countries allow audit institutions to plan their work programme independently or to publish their audits.

In the past ten years this situation has greatly improved. Though not all SAIs have fulfilled all aims of the Lima and Mexico declarations entirely, and though in many cases resources are obviously limited, they are working hard to move to higher standards, Moser says. Their audit and managerial competences are improving; their independence is generally on the rise. They have access to media and protest against governments that are trying to reduce their budget or curtail their independence.

It is a step by step process, Moser acknowledges. And he stresses INTOSAI's role: “We have built a network of people in audit institutions around the world who are convinced that the use of public money should be transparent. We write to governments. We support local

1761	1918	1929	1939	1945	1965
Empress Maria Theresia installs the <i>Rechen-cammer</i> for the Austrian Empire.	The newly formed republic takes over the Supreme Court of Audit from the monarchy. It is put under the control of the State Council.	The Court of Audit gains competence to audit the financial management of the <i>länder</i> (including Vienna), as well as municipalities with more than 20,000 inhabitants.	The functions of the Court of Audit of Austria are transferred to the Court of Audit of the German Reich.	Re-establishment of the ACA, under the provisional constitution.	The ACA is entrusted with the General Secretariat of the International Organization of Supreme Audit Institutions (INTOSAI).

SAIs wherever possible. We make sure that audit reports are published and put on a website. Because when SAIs do not have the possibility to make their findings accessible to the public at large, governments can continue to deny their findings.”

Some governments still do not share the goals of independence and transparency, and there continue to be numerous countries with rampant corruption. But having international standards for SAIs helps local citizens and social actors to fight that, Moser is convinced. “When there are no standards at all, a government can say that all is fine. When a country has formally accepted the international standards, you can make clear that audit reports should not go exclusively to the president, but have to be published in full.”

Moser does not consider himself a prophet to whom no-one listens. Instead, he is positive about improvements worldwide. Yet he realizes that a lot of work remains to be done. The use of new technologies and the shift from regulatory audits to performance audits are major challenges for the audit community in the years ahead.

“When SAIs don’t have the possibility to make their findings accessible to the public at large, governments can continue to deny their findings.”

July 2004

Josef Moser takes office as president of Austrian Court of Audit and becomes Secretary-General of the International Organization of Supreme Audit Institutions (INTOSAI).

INTOSAI TSUNAMI INITIATIVE

On 26 December 2004, a tsunami causing waves up to 30 metres high killed over 230,000 people in 14 countries. Indonesia was the hardest hit, followed by Sri Lanka, India, and Thailand. Following the tsunami, the worldwide community donated more than \$14 billion in humanitarian aid. In April 2005, several SAIs met in Indonesia to discuss how to audit the vast amount of aid that flowed from many different donors to many different recipients. It was agreed that new technologies such as Geographical Information Systems (GIS) could be used. The overall goal was the establishment of a global audit trail of tsunami-related aid flows from source to destination and from donor to recipient.

The initiative resulted in the establishment of the INTOSAI Working Group on Accountability for and Audit of Disaster-related Aid. It developed a series of guidelines, the ISSAI 5500, including examples and practical solutions for auditing disaster-related aid, such as the use of geospatial information.

The conclusions and lessons learned from the INTOSAI tsunami initiative can be read in the report *Lessons on accountability, transparency and audit of tsunami-related aid* (November 2008), also published on www.intosai-tsunami.org.

Tsunami

A striking example of the use of new technology was the audit of aid money spent in Southeast Asia after the tsunami disaster of 26 December 2004. Audit institutions discussed what they could do to improve the use of money to the benefit of the victims. In April 2005 a conference in Jakarta resulted in the creation of a task force on accountability and audit of disaster related aid. It presented practical suggestions for auditing the aid efforts. Guidelines and standards were adopted that are now broadly used for auditing other disasters and relief aid programmes.

The audit that was done after the tsunami made use of satellite photography of disaster-stricken areas in order to investigate what happened to international aid money. Thus, it could be established what had been achieved in reconstructing houses and restoring public infrastructure. It also made clear what should be done in the future so that money would flow to the victims and how to avoid corruption. “I’m sure that thanks to this report more victims actually benefited from the relief aid,” Moser concludes.



The leadership makes the difference

TERENCE NOMBEMBE

Terence Nombembe has a dream, the dream of a clean government in South Africa. And he is convinced that one day this dream will come true: “There is still a lot of work to do, but I know it can happen,” he says. “Even during my lifetime.”

In his life, Nombembe has seen another dream come true: the abolishment of the Apartheid regime in South Africa in the early 1990s. Since then, much progress has been made in creating a more equitable society; yet many challenges – legacies of apartheid and new ones – remain: violence, oppression, inequality in access to education and health care, poverty among parts of the population and other unfulfilled government promises.

One of the government institutions that had to transform itself after the end of apartheid was the office of the Auditor General of South Africa (AGSA). The separate audit offices of the nominally independent states that existed in South Africa until



South Africa

Population (2014)

53,139,528

GDP (2013)

350,630,133,297.USD

Government expenditure (2012)

38.3% of GDP

Headquarters SAI

Pretoria (10 regional offices)

TERENCE NOMBEMBE AUDITOR GENERAL OF SOUTH AFRICA

Auditor General of South Africa from 2006 to 2013. Terence Nombembe was born in 1961. He holds a Bachelor's degree in Commerce from the University of Transkei, an Honours degree in Accounting Sciences from the University of South Africa and is qualified as a Chartered Accountant with the South African Institute of Chartered Accountants. He has an honorary doctorate in Accounting Sciences from the Walter Sisulu University.

He has been an auditor and financial officer at large private companies and he served as a deputy Auditor General at the Auditor General of South Africa (AGSA) from 2000 to 2006. In 2014 he became CEO at the South African Institute of Chartered Accountants.

The office of the AGSA was set up in 1911. Its legal charter was renewed with the constitution of 1996. Slogan: "Auditing to build public confidence."

Budget AGSA (2014): 2,536 million Rand (€ 184 million). Personnel (2014): 3145.

Website: www.agsa.co.za

1993 had to be integrated into one. With the constitution of 1996 the Auditor General of South Africa gained formal independence. Meanwhile, the professional level of its staff had to be improved substantially and respect among the public for the office had to be established. AGSA adopted an innovative approach and embarked on a series of 'roadshows' to promote its visibility and to check promises the government had made to improve public services for citizens around the country.

The initial years of ANC rule were not the most easy years for the audit office in terms of proving its independent position. By the time Nombembe took over as the Auditor General in 2006, the respect for the office had increased substantially and its independence was no longer in question. Nombembe's priority was to make clear to the population what to expect from the national audit office. He focused on the visibility of the institution. He visited the political leaders of the country and made great efforts to motivate staff members. The entire staff should feel committed to and proud of the reports AGSA published.

Nombembe, a trained accountant who had worked for international companies in South Africa, joined the national audit office as the deputy Auditor General in 2000. When, in 2002, INTOSAI developed the INTOSAI Standards of Supreme Audit Institutions (ISSAIs), AGSA participated actively in the preparation for the adoption of these standards. Subsequently, it had to improve its own levels of professionalism in order to perform its audits in line with these guidelines.

As it then turned out to be difficult to find qualified people, AGSA decided to train its own team of professionals.

“When we started we had less than ten qualified accountants. When I took over as the Auditor General in 2006 there were about 200 and today there are more than 500 chartered accountants on a total staff of little over 3,000 persons,” Nombembe says proudly. It was a huge jump in professionalizing the institution.

One way of filling the gap was the creation of a new qualification for unchartered auditors who had gained sufficient experience in the previous period. They were called ‘registered government auditors’. Many have subsequently left AGSA and moved to other government departments. Their presence has had a positive effect on the overall level of accounting in government, according to Nombembe.

At the same time, leadership development programmes were started. This enhanced the sense of a common strategy among the higher ranks of AGSA. Nombembe: “Personally, I feel strongly that leadership is important. Leaders are at the helm of the institution; they define its vision and motivate the staff. Experience shows that if leadership is lacking, you will never succeed. Institutions that perform exceptionally well are those whose leaders, right from the top, embrace the principles of good governance.”

Clean audits

To show what good leadership can achieve in government institutions, AGSA supported the national launch of the notion of ‘clean audits’, audits with no negative qualifications about the auditee. The initial number of departments that received ‘clean audits’ was small – less than ten per cent, Nombembe recalls – but there was a consistent improvement by departments that lagged behind. “And the one thing all those with a clean audit had in common was the commitment of their leadership,” he points out.

Clean audits are not just for statistical use. In many countries, South Africa is no exception, administration in government departments is poor and public servants are vulnerable to bribery. Any government that wants to be respected by its population, to attract donor money and other resources to eliminate poverty has to work in an ethical manner, Nombembe is convinced.

How can clean audits contribute to this? “Our confidence that we can have clean audits in South Africa grew as we discovered that it is about getting the ‘basics’ right.” Nombembe explains that by this he means the discipline of proper record keeping, having checks and balances in place and having someone supervising the entire process. Secondly, one has to

focus on getting the right people to do the job. Not just in terms of establishing the financial statements, but also in government programmes for delivering services to the people. The auditors have to report consistently on the performance of governments and must ensure that the credibility and accuracy of the information is constantly verified. Thirdly, a system of audit committees in the executive branches of the government has to be in place and the parliament needs to exert its rights of oversight.

Year after year, AGSA annual reports highlight widespread waste of money, fruitless programmes or irregular expenditure by government departments. Despite these critical remarks, Nombembe says he never got into serious trouble with the government.

In their reports, the auditors diagnose why corruption is happening, where it happens and who is involved. They show that whatever the government has achieved, it could have achieved better when the procedures for transparency and good administration in government spending are followed. “Our conclusions are based on cases where maladministration happens, for example in procurements. This is one of the biggest areas of government spending and also a major source of corruption,” Nombembe says.

Frequently, though, corruption is not detected at all because many things in government happen behind the scenes and processes are not transparent. Recently, the South African Ministry of Finance introduced a special unit within the national treasury to monitor procurements. Public servants have been empowered to enact this monitoring, and it means a big improvement in government procurement. The Ministry can now take ownership of the fight against corruption, instead of having to depend on the auditors of AGSA being notified. People who previously ignored the Treasury’s guidance will be less tempted to breach the rules, Nombembe expects.

In South Africa, AGSA has commenced performance audits on a small scale. “In my view, many audits we did were, in a way, about performance; that is to say, about poor

1911	1994	1996	2000 - 2006	2006	2010
Establishment of the office of the Auditor General of South Africa.	End of apartheid; reform of separate offices into one integrated office.	Renewal of the legal charter of the AGSA with the Constitution of 1996.	Terence Nombembe serves as deputy Auditor General at the AGSA.	Terence Nombembe takes office as Auditor General of South Africa.	AGSA hosts the INTOSAI conference in Johannesburg. Approval of ISSAI Principles.

performance,” Nombembe says, referring to government departments that were not functioning at all. “We focused on government institutions that did not adhere to the basic requirements for clean audits. They did not respond to our findings, there were no consequences for maladministration or neglect of the rules. In those cases, our first priority was to get the fundamentals right. As long as that was not taken care of, performance audits would not help. Our auditors would find the same poor results over and over again.”

Road shows

When Nombembe started to work at AGSA in 2000, the office was not in the habit of reaching out to the population and its reports received limited attention. He took the initiative to a series of ‘road shows’ in order to bring the findings of AGSA reports to the people, and he organized roundtables with government officials and influential personalities who have credibility in civil society. When he retired as Auditor General in 2013 he was amazed at the recognition that AGSA had gained: “I never heard so many compliments for an office that is supposed to be unpopular,” he jokes.

According to him, his efforts to make AGSA visible as an institution in the media and among political leaders had paid off. Also among those in government, in parliament and in the municipalities AGSA had criticized. “Being critical could have made us unpopular. But everyone understood our determination to show things that were going wrong and our intention to make South Africa a better country.”

In order to avoid acrimonious reproaches, AGSA pledged to discuss its findings with the leadership in the boardrooms of the audited institutions first, before it made them public. Talking to government officials in private beforehand facilitated their acceptance that something in their department needed to be improved. AGSA also invested in encouraging

2013

Terence Nombembe leaves office. Currently M. Thembekile Kimi Makwetu is the Auditor General of South Africa.

2014

Currently Terence Nombembe is CEO at the South African Institute of Chartered Accountants.

them to enact changes. Nombembe: “We used a slogan at the AGSA: ‘Talk to them before we talk about them.’” That, he thinks, made AGSA more respectable in government and, ultimately, among public opinion.

Dashboard reports

Nombembe had meetings with the cabinet of ministers and individual ministers of the provincial and national governments, mayors and officials of every municipality of South Africa. In order to show what should be done, he introduced so-called ‘dashboard reports’ to indicate what was working well and what was not working well at a particular level of government.

The ‘dashboard’ measures the effectiveness of a government institution in three ways. Firstly, the performance of its leadership: how it supervises, enacts governance, provides resources and uses an ethical discourse. Secondly, how effective they are in getting their administrative systems right, the internal controls and checks and balances on the information flow. Thirdly, it measures how government oversight structures are working: the audit committees, the internal auditors, the risk committees – everything that supports a minister, a department director or a local administrator to do his or her work properly.

“Our model is as simple as this,” Nombembe says. “Get properly trained people do the job, supervise directly and don’t delegate accountability. Use internal audits and other government structures to be your ‘eyes and ears’ on the ground. And act on that information.”

The dashboard scores were brought to the attention of the parliament so that it could hold the executive branch of the government accountable. Parliamentary committees got into the habit of monitoring this information from AGSA more closely. Today, according to Nombembe, parliament regularly uses these dashboard reports as a way of supervising the government.

The African experience

In 2010 AGSA hosted the INTOSAI conference in Johannesburg. At this occasion the ISSAI principles were approved. When these standards for Supreme Audit Institutions are more broadly accepted by SAIs around the world, it is expected that the number of clean audits will increase. One way to achieve this, Nombembe believes, is to share the South African experience of ‘clean audits’ and ‘dashboard reports’ with other countries,

particularly in Africa. In many ways, South Africa is a relatively developed and sophisticated country, while other African countries have long serving dictatorships and are notorious for the pillage of government resources. In order to broaden the scope of AGSA's experiences Nombembe used the AFROSAI structure, first of the Supreme Audit Institutions of the English

speaking African nations, later also of the French, Arabic and Portuguese speaking countries. "In Africa, empowerment of the leadership is important," he says. "As Auditor General, you have to be able to analyze information and to persuade politicians. Because talking to politicians without showing results is like driving a car without a dashboard. That illustrates why these 'dashboard reports' are so important for the promotion of the values and benefits of SAIs."

It also has to do with communication, Nombembe argues. Communication in two ways: first a SAI has to show it is an independent institution that the public can trust. Independence applies to its auditing standards, to professional control systems, to issues of ethics and to transparency. The second part is about the way a SAI presents the outcome of its reports and the way it communicates its findings to the executives, the politicians and the public at large.

Corruption

Corruption can never be completely eradicated, Nombembe admits. But the risks of corruption can be controlled when systems are strong. Therefore, he believes, governments have to strengthen their control systems as a fundamental prerequisite to stop corruption. "Our analysis is that where the systems are too weak, control is too loose. Even someone who comes to work at the government with the best intentions is tempted to partake in the custom to neglect the rules of good government."

AGSA staff are trained to recognize the root causes of corruption. Nombembe repeatedly told his team: focus on internal controls. If internal controls are weak, everything is going wrong. "Our dashboards are about the effectiveness of internal controls, at the level of the leadership, the process of reporting and the audit committees and internal auditors. When governments adopt these principles, it brings lots of improvements to deliver services to the poor."

"Our model is as simple as this: don't delegate accountability."

As the Auditor General, Nombembe has often stated: “Every SAI has to be recognized as an institution that makes a difference to the lives of the citizens.” Now he adds: “That slogan drove the culture at the AGSA. If you get all 3000 staff believing that, you will have the bulk of the battles in your organization won.”

The slogan was applied in two ways, Nombembe recalls. One was to get the entire staff to adhere to it. A number of people joined the office because they could not find a job elsewhere, others because they felt it was a place where they could make a difference. They went home motivated and looked forward to going to work the next day, because they saw the improvements for the people. It also helped to diminish conflicts between the auditors and the auditees. Without compromising the independence of the Auditor General, it helped to clarify the expectations and to explain why auditing government activities is so important.

“It helped us communicate with the leaders of government and the politicians. They noticed the sincerity, honesty and the integrity in the way we do our work. They saw we did not want to complicate things, but we want to make South Africa a better country for everyone to live in.”

Counting houses, roads and water taps

The main way AGSA contributed to improved services for citizens was by the scope of its audits. The focus was on quantifying and confirming what the government had promised. If the government had announced plans to build one hundred houses, the auditors checked that one hundred houses were really built. If it announced plans to deliver water to a certain number of people, they audited that too.

“It was important for us to make sure that the government does not mislead the people by telling them they have done so much work while no one validates these data. We checked the number of houses built or the miles of roads paved. We try to ensure that the government is diligent in promising things.”

Another example is in the area of South Africa’s public health system. Auditors visited hospitals, looked at what the doctors and nurses were doing, and checked administrations. They asked the patients what their experience was. The treatments had to be consistent with the doctors’ promises. “Our auditors were running around hospitals all over the country. They found many faults because doctors did not administer their work properly. They were good doctors, but they could not check if their teams were doing a good job.”

AGSA auditors also went to the schools and district offices to check whether the administration was being done in such a way that it improved the country's schooling system. In the area of public works, they looked at the facilities provided to governments and communities. In many cases they found a lack of control systems to monitor the public works that were being executed. When selecting the schools or hospitals for auditing AGSA chose those activities deemed most risky. Part of the risk model was the size of the facilities. Auditors would visit all major hospitals across the country. Following their recommendations, the Department of Health started to hire graduates to work in the health administration systems. Today these people are also working in the provinces to strengthen the administrative capacity of the health system.

Nombembe says that it is a constitutional role for the audit institution to protect the interests of the tax payer. But political discussions about taxes are the realm of parliament. AGSA does not speak on behalf of the tax payers; that is the task of elected parliamentarians. "All we do is to provide credible information to parliamentarians to do their work accurately and objectively."

The clean audit campaign and the dashboard reports brought about a lot of progress. Nombembe believes that if the developed world can have clean government there is nothing that can stop South Africa from achieving it either. All that is needed is leadership commitment: "With that, South Africa will be a different place in terms of governance."



The face of trust and hope

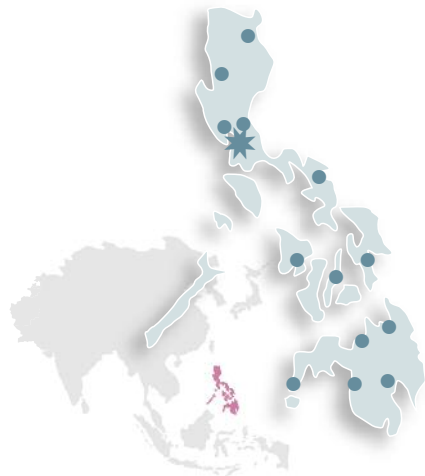
HEIDI MENDOZA

It takes bravery to be a Commissioner of the Commission on Audit (CoA) in the Philippines. Heidi Mendoza, the deputy Auditor General, recently gave testimony in the Philippine Senate.

The testimony was about an audit she had carried out in 2001, when she was still an auditor at the CoA. It dealt with a case of overpricing and falsification of documents by local government officials in a city in metropolitan Manila. Nine years later, in 2010, the mayor of that city became the vice-president of the Philippines. And then, in 2014, the former mayor turned vice-president declared that he intended to run for president in 2016.

Mendoza was called to the Senate to testify following new discoveries related to the facts that she and her team had written about in their report 13 years ago.

At that time, the case had been dismissed on technical grounds, even though several people had allegedly been acting as dummies for the former mayor. Now,



Philippines

Population (2014)

100,096,496

GDP (2013)

272,066,554,886 USD

Government expenditure (2012)

16,4% of GDP

Headquarters SAI

Manilla (13 regional offices)

HEIDI MENDOZA COMMISSION ON AUDIT OF THE PHILIPPINES

Commissioner of the Commission on Audit (CoA) of the Philippines since 2011, following her resignation from the Commission in 2006.

Heidi Mendoza was born in 1962 and holds a Master's degree in Public Administration from the University of the Philippines and one in National Security Administration from the National Defence College of the Philippines. She has held positions at various institutions, including the Asian Development Bank, and worked as a consultant at the European Commission and World Bank.

The Office of the Auditor for the Philippine Islands, the predecessor of the CoA, was established in 1899. The mandate of the today CoA is identified in Article IX-D of the Constitution of the Philippines. The CoA is tasked with the audit of all revenues, resources and other expenditures of the government and its branches. The Commission on Audit is composed of a Chairperson and two Commissioners.

Budget: (2014): approximately 8 billion Philippine peso (€ 155 million euro).
Personnel: over 8,000.

Website: www.CoA.gov.ph

in her Senate testimony, Mendoza disclosed that her house had twice been ransacked – apparently by people looking for documents relating to this case. “It was very dangerous, and because of my testimony I needed extra protection,” she says.

In fact, it was not the first time Mendoza had dealt with serious threats from people in powerful positions. In 2005 she investigated an alleged case of fraud by the Comptroller General of the armed forces, following a request from the Ombudsman, the office that is entitled to prosecute fraud cases in the Philippines.

Two of the Comptroller General's sons travelled to the United States and were stopped by immigration officers on entering the country. They were found to be carrying huge sums of money. Their mother came to their rescue and told the American Immigration Office that the money was a gift, what is called a pabaon in the Philippines – so-called ‘send-off’ money. Her husband, the woman explained, was a general and every time there was a contract that needed to be cleared by his office, suppliers would give him money for ‘shopping’ whenever he travelled outside the Philippines. There was nothing unusual in this, she reassured the immigration office.

The US government took the matter very seriously and informed the Office of the Ombudsman in Manila (OMB). When the Ombudsman requested the CoA to conduct an audit Mendoza was appointed as the team leader of the joint CoA-OMB investigation team. But the Ombudsman resigned in 2005 and his successor ordered her to halt the investigation because her workspace at the Ombudsman office was going to be used as a

library. The chairman of the CoA was not interested in continuing the investigation, either. Mendoza resigned from the CoA in 2006.

In December 2010, Mendoza, who was now working with the Asian Development Bank (ADB), learned that the Ombudsman had dropped the complaint because the government had a weak case against the Comptroller General. Mendoza was astonished and decided to reveal the audit report she had worked on. “I went on a full whistle-blowing campaign,” she recalls. Consequently, she resigned from her job at the ADB and she was forced to move from one place to another as a result of her decision to publicize what she felt to be a serious case of injustice.

In early 2011 she was appointed as one of two Commissioners at the CoA. From that moment she needed security protection, because her involvement in corruption issues meant her life was under threat in the Philippines. “I have a minimum of four and a maximum of twelve security guards every time I go out,” she says, in a matter of fact way.

Culture of corruption

On her first day back in office, she received 4,000 emails with complaints, congratulations and requests for audits. It was an indication of the confidence in her as a Commissioner, she says. Since then, the environment for fighting corruption has improved substantially. The relationship between the Ombudsman’s office and the CoA has been re-established. As the CoA does not have the legal power to prosecute corruption suspects, when an audit contains indications of corruption the case is transferred to the Ombudsman. Only the Ombudsman can bring people to court. In her second year in office, with the information she provided to the Ombudsman, the Chief Justice was impeached. With the CoA report (2013) on the so called ‘pork barrel’ scandal that relates to the misuse of certain public funds, the Ombudsman has successfully filed charges that resulted in at least three senators being held on remand while the case is being heard.

The investigation into the former mayor-turned-vice-president who wants to run for president is closely followed by the Philippine public. “It generates the kind of public attention that I have long wanted for. If we had had this kind of attention in 2001, we might not have the problems we have today,” Mendoza says.

The Philippines is mired in corruption, Mendoza recognizes. “People tend to be resigned to it. But I want to get rid of the feeling that corruption is a way of life. I want people to have hope in their hearts that things will change.”

In an effort to explain the widespread corruption in her country, Mendoza says that when resources are few and needs are competing, there is always a tendency to grab something in

excess of what is agreed. Corruption takes many forms: ghost projects like spending money on roads that were never constructed. Ghost deliveries of text books with forged documents or payments made for goods that were never delivered. Ghost employees who receive monthly pay checks but never appear at their office. Payments that are not reported, taxes that are not paid or government resources that are misappropriated.

In order to select priorities the CoA applies a ‘unified risk based approach’. It assesses the existing governance risk and identifies residual risks that are not spotted by regular controls. Then it concentrates on cases that have a large impact and bigger risk of occurring. CoA receives requests for fraud audits from the office of the Ombudsman, but also from politicians. The president of the Senate or the Speaker of the Congress can ask for investigations.

Besides these specific requests, CoA performs financial and compliance audits of all government agencies, both on the national and the local level, on a yearly basis. Logistics are a main obstacle. “We have thousands of barangays – local neighbourhoods – and we have many islands. It’s not easy to get everywhere. You don’t just take an airplane. You have to ride a bus, take a ferry or a banka [a type of boat], walk for miles or ride a horse. Being an auditor in the Philippines is really an adventurous job.”

Integrity and the media

Despite the lower government salary, compared to what private audit companies offer, the CoA has no problems recruiting people, Mendoza says. She is satisfied with the level of the recruits; the majority of them have graduated from good schools as certified accountants, and they enjoy working for the CoA.

Bribery within the organization, Mendoza admits, is hard to avoid. As a state auditor, she says, you belong to an institution that exercises control and auditees will always try to offer privileges in order to escape certain regulations or infractions. “We are very keen on ensuring integrity. We are active in IntoSAINT. In fact, we are involved in the first training of IntoSAINT in Asia with other Asian SAIs.”

Without exception, CoA posts all its audit reports on its website. There are separate websites for Citizens Participatory Audit reports and for the Disaster Audit reports. Reports are also presented to the office of the president, the Senate and the House and to other oversight agencies; but not always to the media. Mendoza gets along well with journalists, but working with the media is also risky in the Philippines, she says. “They focus on issues that sell. They take our audit reports and convert our findings into something that is more appealing to the public. Sometimes audit issues are made sensational. In one case, we reported that there were no payroll registers in a certain city, but the tabloid reported this

INTEGRITY RISKS AND INTOSAINT

IntoSAINT is a self-assessment tool developed by the Netherlands Court of Audit especially for SAIs. SAIs can use the tool to analyze their integrity risks and assess the maturity of their integrity management systems. The instrument is targeted at corruption prevention and leads to management recommendations to support the integrity of the organization. It is a 'soft tool' that enables the user to design a tailor-made integrity policy while at the same time increasing the integrity awareness of employees. The self-assessment is conducted during a structured two-day workshop moderated by a trained facilitator.

The purpose of the tool is both to protect SAI staff who are exposed to temptations (for example, intensive contact with auditees or handling classified information) and also to foster a work environment that is open, critical and transparent, in which trust is promoted and the integrity of the SAI is safeguarded.

The tool was presented to the INTOSAI community in Johannesburg in 2010 and is now available for all INTOSAI members. Since 2011 more than 200 facilitators were trained and more than 20 SAIs have undergone their first IntoSAINT self-assessment.

Objectives of the IntoSAINT initiative are:

- strengthen the role of SAIs as watchdogs of the integrity of the public sector;
- shared insight within the INTOSAI community on common integrity matters within SAIs and possible solutions;
- exchange of experiences between SAIs about enhancing integrity in the public sector.

Today, the IntoSAINT framework is widely recognized as a useful addition to strengthening SAIs in leading by example. The next step is for SAIs to apply the tool and its principles to the public sector in their own countries. IntoSAINT will be integrated in various INTOSAI standards and guidelines.

as a case of ghost employees. The news became an instant hit because one of the persons involved is a mayor who happened to be the wife of one of the senators who was investigating a corruption case in a city that we audited in 2011.”

Natural disasters

The Philippines is one of the most natural disaster prone countries in the world. In 2013 it was struck by typhoon Yolanda (also known as Haiyan). That tragedy changed the way CoA looked at disaster auditing. “Doing an audit, you always look for documentation, what we

Citizens are engaged in the entire process of auditing: planning, execution and writing of the report.

act speedily, but they could not simply disburse huge amounts of goods without following the procedures. Therefore, the rules of accountability were relaxed. Under the state of emergency in the afflicted area public tender for goods could be sidestepped, so that emergency purchases could be made quickly. It was also decided that all disaster related transactions were to be audited immediately. Emergency aid consists mainly of consumer goods like food, water and shelter. An audit taking place at a later date cannot possibly check what happened to the perishable food. To that end, CoA mobilized teams operating on a 24-hour basis. The teams also went to the warehouses located in places outside the areas directly affected by the typhoon.

Mendoza personally joined a team that visited a warehouse on the island of Cebu to document the inventory and distribution. When she arrived there, the electricity had not yet been re-established. The auditors used their laptops and smart phones to illuminate the warehouse. Mendoza: “We could not wait till electricity was restored. Our auditors were there and they were able to make their audit decisions at the right time and place.” The auditors observed minor failures, issues of poor planning or poor logistical management. Some food was spoiled and there were bottles of water that were never distributed. Not all of the body bags that were ordered needed to be used. But there were no issues of faulty procurements.

Mendoza is convinced that the relief effort was facilitated thanks to the presence of the auditors and their coordination with other agencies active in the disaster region. The Philippine CoA also profited from its participation in the INTOSAI Working Group on Accountability of Disaster Related Aid. Techniques that it had learned in the working group

call the audit trail. Here comes the disaster. The typhoon literally blew everything away. There was a long line of victims asking for emergency assistance. The government official told the survivors: ‘You have to show your identification cards before you are given a relief package.’ The victims said: ‘What? There was a flood, there was a big storm, our houses are carried away, our documents are destroyed. What kind of ID do you want?’”

Auditors were observing the distribution of relief to make sure the emergency aid was going to the victims. They had to make a choice between accountability and expediency. Government officials wanted to

were applied in the aftermath of the Yolanda tragedy. The use of ‘geo tagging’, using GPS, proved helpful in the audit of the reconstruction of houses.

“When the disaster struck, we were more or less prepared as to which areas to monitor. We have initiatives like FATH, the Foreign Accountability Transparency Hub, a website on which one can regularly check the incoming aid donations from different countries for the victims of Typhoon Yolanda. The population has access to it and the CoA is validating the information. It assures the donors that their finances are being watched. It is the first time that we are doing this.”

Citizens Participatory Audits

The Philippines has vibrant civil society organizations (CSOs) and CoA has developed an innovative way to let citizens participate in its audits. The Citizens Participatory Audits (CPA) are a mix of formal and informal mechanisms of accountability. “We are protecting government funds, so the citizens are also stakeholders,” Mendoza explains. Citizens are engaged in the entire process of auditing: planning, execution and writing of the report. Prior to this, they receive capacity building training so they understand the process. After the selection of the citizens that will participate in an audit, they sign a contract: what is expected from them and what they can expect from CoA. The ‘dos and don’ts’ are also explained. Citizen participants are not allowed to disclose findings until they are finalized and they have to select a leader, who is responsible for the group’s participation.

Lots of people are interested in participating, Mendoza tells. “They find it exciting. We give them a certificate that states they are a ‘citizen auditor’. It makes them feel empowered.” She gives the example of a CPA on health facilities, carried out by beneficiaries, using citizen score cards, who look at the way health services are provided. The questionnaire contains simple items: Is there a health centre? Is it accessible? Are there adequate supplies of medicines? The health workers need to count the medicines and post the amounts on a board so that everybody in the barangay can see the stocks of the medicines. They also check how often doctors are coming to the health centre. Other CPAs deal with the environment, flood control and the audit of the bunkhouses constructed for the victims of typhoon Yolanda in Tacloban.

The results are surprisingly reliable, Mendoza says. “When our auditors ask questions, respondents often will not tell the whole story, but simply answer ‘yes’ or ‘no’. If your neighbour or a mother is doing the questioning, people tend to open up. So you get much more information.”

When auditing housing construction, citizens do the measuring and interview the beneficiaries, asking them questions such as: What is their job? Where do they live? What is their family composition? Civil society organizations are also involved in environmental audits. Likewise, local communities or engineers with technical skills participate in the audit of flood control projects. Sometimes the officials do not like the audit results. “Then the citizens come forward to defend us. So we have not only a multiplier of our force, but also of our allies,” Mendoza says.

Environmental audits are closely related to the disaster audits. CoA is about to start a scan of the many initiatives to protect the environment. What agencies are involved? Have they contributed to the aim of protecting the environment? “Our next task will be to do an inventory of our natural resources. We have a new nickname, we are called the ‘watchdog of natural resources’,” Mendoza jokes.

Transparency and trust

The CoA prides itself with a ‘Transparency Seal’, meaning it is committed to being transparent in all its operations and posts all its findings on the internet. All Philippine government agencies can achieve a ‘Transparency Seal’ when they comply with minimal requirements like publication of the latest audit report on their website.

On a limited scale and on selected programmes CoA is experimenting with performance audits. Mendoza admits the work of CoA is largely on financial audits. More performance audits will take time, she thinks. “We make summaries of our audits, we publish a report on the total procurement of the government, how much we have disallowed, how much we have recovered. The percentage of compliance with our audit recommendations, the different cash shortages that we have discovered. We also highlight the cash advances, how

1899	1935	1972	1995	2006	2011-present
Establishment of the Office of the Auditor for the Philippine Islands.	Promulgation of the Constitution of the Philippines, which provides for a General Auditing Office.	The office is renamed the CoA and is granted a broader mandate by including accounts of all subdivisions, agencies, and government-owned-and-controlled corporations among those to be audited.	Heidi Mendoza starts working for the CoA.	Heidi Mendoza resigns from the CoA.	Heidi Mendoza is appointed as Commissioner of the CoA.

much we have disallowed and how much losses have occurred. Those findings amount to billions of pesos.”

In 2014, CoA made the biggest jump on the annual ranking of trust in government agencies among citizens in the Philippines. It rose from number 32 to 11th place on the list. Mendoza is pleased with this, though she is aiming even higher. Awareness and transparency go hand in hand, she continues. “We want to bring back confidence in the government, make sure that resources are used for the purposes they are meant for, make sure that projects are done right and at the right time.”

She knows that she has to continue her fight. “The single thing I am most proud of is that I have displayed the courage and the stamina to come out in the open and provide a voice of protest against corruption that resonates with the majority of the population. In the Philippines, we don’t need to raise our arms and surrender to corruption as a way of life. In our little ways we can do something about it, we can change things in our country. I couldn’t believe that simply because an audit report came out, there were changes that nobody expected would ever happen.”

The opposite of corruption is trust. Mendoza is convinced that where there is trust, there is a strong chance of fighting corruption. “We keep the hope burning in the hearts of men and women that corruption is unacceptable. We lend our faces to a faceless fight. It is difficult for me to say and it may sound immodest, but I am a public face that people trust.”

2013

Typhoon Yolanda strikes the Philippines; CoA performs audits into the disaster response.

2015

As of march 2015 Mr. Michael G. Aguinaldo is the Chairperson of the Commission on Audit.



E-auditing in Estonia

ALAR KARIS

As a scientist Alar Karis spent most of his working life in academia. He used to work with genes to discover the functioning of cells; he carried out research on molecular genetics and was the Rector of the University of Tartu, one of the oldest universities in Northern Europe. Now, as the Auditor General of Estonia, he discovers the workings of political systems and the way politicians take decisions in his country.

Comparing Estonian society to genetic systems that can be turned on and off, Karis says: “It is different. And, you know, for turning policies on or off in society, expertise does not always matter.”

In 2013, the president of Estonia asked Alar Karis if he was interested in becoming the next Auditor General. His initial reaction was to say no, as he had



Estonia

Population (2014)

1,283,771

GDP (2013)

24,880,264,958 USD

Government expenditure (2012)

30,9% of GDP

Headquarters SAI

Tallinn

ALAR KARIS NATIONAL AUDIT OFFICE OF ESTONIA

Auditor General of the Riigi-kontroll (National Audit Office) of Estonia from 2013. Alar Karis was born in 1958. He holds a doctoral degree in Science Studies from the Estonian Academy of Life Sciences. He was a scientist and researcher on molecular genetics at universities in Germany, the United Kingdom and the Netherlands. He was Professor and Rector at the University of Tartu and Rector at the Estonian University of Life Sciences.

The Riigikontroll was established in 1918 with the founding of the Republic of Estonia. In 1940, its functioning was interrupted due to the annexation of Estonia by the Soviet Union. In 1990, after independence, its activities were restored.

Vision: "The National Audit Office is an independent institution acting in the interests of and hired by the Estonian taxpayer, whose function is to investigate how the state and local authorities have spent the taxpayer's money and what they have given them for it."

Budget (2014): € 5 million. Personnel (2014): 92.

Website: www.riigikontroll.ee

no idea what the job at the National Audit Office of Estonia (NAOE) involved. For someone who had done scientific research, had worked in the UK for a year and spent five years at the Erasmus Medical School in Rotterdam, it was something that had never crossed his mind. "I never dreamt about becoming Auditor General. So I said no to the president. But when he called me again, I started thinking about it. And when I talked with him personally, I ran out of arguments."

In a small country like Estonia, he says, it is difficult to find a person at this level of public management who has an independent mind and does not have a political past. So, he took the job. And soon the similarities between auditing and academic research started to emerge.

"First of all, like universities, Supreme Audit Institutions are autonomous. Nobody tells you what you have to do. As an auditor, I have the same freedom as a scientist to decide what and how to investigate. I have always been curious, I like to surprise myself. This job actually gives me the opportunity to see 'inside the kitchen how the sausage is made.'"

In Estonia, the Auditor General is allowed to attend cabinet meetings as an observer. Usually Karis listens; he only participates in discussions when the NAOE has recently audited a topic that is on the cabinet agenda. Most politicians in Estonia are young and they reach high ranking positions at a young age: the current prime minister is 34 years old. They are smart, but inexperienced, Karis observes. "The only thing they have done in their life is politics – and then they become cabinet ministers. My own and NAOE opinions work as useful equalizers to balance the decision making."

At the NAOE, the average age of the employees is 38; more than 40 per cent of its staff are younger than 35. This gives innovative vigour to the working of NAOE. “I come from the academic world, innovation is in my genes. I feel privileged that we have mainly young people working for us,” Karis says. At the same time, being surrounded by ambitious young people, he considers it an advantage that he is more older: “If you have been living in this world for more than 54 years, you have a certain experience that is useful,” he smiles graciously.

Overcoming the Soviet legacy

After a short period as an independent state in the interbellum between 1918 and 1940, Estonia was occupied by Nazi Germany and subsequently incorporated in the Soviet Union in 1944. Under the fierce reign of Stalin and his successors a process of collectivization and nationalization took place in agriculture and industry and government institutions were largely put under Soviet rule. There was a strong military presence, no democracy and massive numbers of Estonians – farmers, bankers, politicians alike – were deported. Therefore when, in 1991, Estonia regained its independence the country had to start from scratch. “We were lucky,” Karis says, “our grandparents, and for some of us even our parents, used to live in a free Estonia. They remembered this experience of liberty and my generation had heard what it used to be back in those days. During the Soviet period the memory of Estonian independence did not fade away. It was there, all the time, under a blanket.”

Therefore, according to Karis, Estonia and the other Baltic countries differ from former Soviet republics like the Ukraine, which lacks an historical memory of independence and where the population is less homogeneous. Yet, there is a substantial (about 25 per cent) Russian speaking minority in Estonia. After the break away from the Soviet Union, the government has committed to integrating this group into society in the best way. The country has a strong common denominator: its language is extremely important as a unifying heritage. Though the Estonian language belongs to the same language group as Finnish, there is no other place in the world that speaks Estonian. Therefore, actively involving the Russian minority in social and public life also means providing possibilities for learning the Estonian language.

Once national independence was regained, Estonia had to cope with the remnants of the Soviet communist system and rebuild its public institutions. After the National Audit Office was re-established as an independent institution in 1991 it strived for greater transparency in public systems. In the course of time, the NAOE has shifted its focus from merely hunting cases of corruption towards analyzing the reasons behind the failures of specific governmental programmes.

In the aftermath of the collapse of the Soviet Union, support for the political and economic transition of Estonia – and other new republics – came from Western European countries. In the case of the NAOE, the Netherlands Court of Audit assisted in establishing a new framework and in 1997 it carried out the first ‘peer review’ of the NAOE. In many ways, it is an advantage to start from scratch, Karis says. “You don’t need to make all the mistakes that older democracies have made. Although we make mistakes anyway, even though we try to avoid them. After all we are humans.”

Hot debates

Most of the issues that the NAOE deals with are similar to those of other developed countries. There are also specific problems. For example, there are too many municipalities in Estonia. “We simply don’t have enough people to run every municipality,” Karis observes. The government tries to merge municipalities, but this is a complicated process and to date remains unresolved.

As elsewhere in Europe the demographic balance in Estonia is shifting and an ageing population demands more resources. The NAOE has analyzed the sustainability of the Estonian pension system. About 80 per cent of the Estonian government budget is earmarked for fixed expenditure like health care and the pension system. Only the remaining 20 per cent is available for spending on other priorities to develop the country. Karis: “In our audit we demonstrated that our current pension system favours early retirement, which is not sustainable in an aging society. Since the report was published there have been rather hot political debates about this issue.”

Poor road quality is a common topic of discussion wherever people meet, Karis tells. The NAOE decided to study what the reasons are behind the poor quality of roads. Scientists were invited to find the causes of the failure to construct lasting roads. Analysis of samples taken from recently built roads demonstrated that errors had already been made in the design phase. “I am glad to say that since our audit the Road Administration has taken concrete steps to improve supervision of road construction,” Karis says.

A specific success story for the NAOE is a parallel audit conducted with the Russian SAI. It dealt with the long queues at the border between Estonia and Russia. The common audit succeeded in addressing the problem: it is now possible to subscribe online to the border crossing so that there is no longer a need to queue for hours.

No SAI can react to every single government policy measure. Therefore, Karis says, he tries to comment beforehand on proposed policies, rather than doing it afterwards when something has gone wrong: “We try to be forward-looking.” Karis also sends letters to the

government and to the parliament. “And I warn them: you should not do this or that. Sometimes they listen, sometimes they don’t. But generally speaking, they take our opinions seriously. We have done a survey: in the past five years about 60 percent of our recommendations are implemented by the government.”

Estonia has a small public debt (in 2013: 10 per cent of GDP) and budget deficit (0.2 per cent in 2013). But that does not necessarily mean the economic outlook is as good as it seems. Karis: “The government does not lie about the economic and fiscal situation, but neither does it tell the whole truth. They pick up numbers or years that suit them, so that the message about the economic development is always positive. At the same time the GDP is actually going down already for two quarters in a row [in 2014]. Our task is to tell the rest of the story. We provide an alternative, neutral and independent judgement.”

Once a year, the Auditor General of Estonia attends parliament to give his overview of the use and preservation of state assets. Karis is free to highlight any problems that he deems necessary. The public at large and the media cherish his remarks about problems presented in the overview. From politicians he often gets negative reactions, but after a while he notices that they have taken his recommendations for improvement seriously. Sometimes he even recognizes his own sentences in speeches delivered by politicians or in government papers.

In some countries, SAIs experience difficulties in making their voice heard in public. In Estonia, the situation is the opposite. Every time the NAOE presents a report, it gets broad media coverage. Parallel to the presentation of its annual report to the parliament, the NAOE publishes a four page summary of it in major newspapers, written in a simple language. Despite the need to use professional jargon, an effort is made to write all audits in a language that laymen can understand. “There is a difference of day and night between our reports and those of the Ministry of Finance,” Karis says.

“In many ways it’s an advantage to start from scratch. You don’t need to make the mistakes older democracies have made.”

Towards e-governance

As a small country Estonia needs an international network: the more connected the better if a problem arises. In this sense, SAIs are not different from the academic world, Karis thinks. He adds that in order to be noticed a small country also has to be able to offer the wider community something special in return. In the case of Estonia it is experience in e-governance.

Information technology (IT) in Estonia is built on the needs of the people, not on those of the government, Karis tells. For example, Estonia uses e-voting. Many people are now voting from the place they happen to be on Election Day. Moreover, the government uses Facebook, and many NAOE employees use Facebook and Twitter. This way the office gets lots of reactions from the public on its work.

“We are really an IT country,” Karis says. Estonians use an e-ID card for access to government and non-government systems. It can also be used for access to bank accounts. Everybody uses it all the time. The population has e-access to the government and public services. A few years ago e-health was introduced. People can go to a pharmacy without a prescription; medical prescriptions are done through the internet. Patients can look at their own medical data online. Privacy is well protected by the government-run infrastructure. A DNA database of the Estonian population has been established. It is linked to patient dossiers. It was started some ten years ago and so far there have been no issues regarding privacy, Karis assures. Estonian experts are now visiting other European countries to explain how they have set up this system and how it works.

When the NAOE started to look into the e-health system it discovered that the system is complex and some things are not functioning as well as envisaged. Hospitals, for example, are complaining because they fear that they may lose patients as a result of the transparency

1918	1940	1991	2007 - 2013	2013	2014 – present
Founding of the Republic of Estonia and establishment of the National Audit Office of Estonia.	Annexation of Estonia by the Soviet Union; disruption of activities of the NAOE.	Independence of Estonia from the Soviet Union; restoration of the NAOE.	NAOE holds the chairmanship of the INTOSAI Working Group on Environmental Audit (WGEA).	Alar Karis takes office at the NAOE.	NAOE holds the chair of the EUROSAI WGEA.

e-health provides. The government introduced the Digital Registration System for the administration of patient waiting lists. The idea is to manage the whole country's medical appointments in one system. Both the state and the patients benefit from that. However, the hospitals are lukewarm about the system, apparently because they want to keep their patients to themselves. If patients have an overview of all the spare consultation hours in the whole country they can choose which hospital to go to. Karis: "If you have to call nineteen hospitals for making an appointment, you probably won't do that; but if you can check all of them online you'll do it with a few clicks."

E-government has also changed the way the NAOE works, Karis claims. "We don't issue the reports on paper any more, they are all published digitally. Of course, in order to do our work properly, you always have to be in touch with people. We visit our auditees, talk to them and have a look at what is going on." But much of the work is done online. This is facilitated by public sector transactions being made available online and the NAOE has full access to this information. It is the same case with public procurement. Consequently, auditors do not have to come to the office every day. "When they write a report, it is up to their supervisor if they can work from home. I know people who fully dress up to work when they stay home," he tells, amused.

Fish stock, railroads and tunnels

For six years, Estonia led the Working Group on Environmental Auditing (WGEA) of INTOSAI. In 2013, the Estonians handed over the chairmanship to Indonesia, but they took on a new responsibility, to coordinate the EUROSAI Working Group on Environmental Auditing.

SAIs, says Karis, look at environmental issues from a different perspective than the many of other institutions that deal with the environment. "We look at the fiscal side, at the money spent, and also at the performance. Have the results that were envisaged actually been achieved? Is it done effectively and efficiently? Governments have signed many international commitments on environmental issues. We analyze if these are actually implemented and made into laws."

These issues often have an international angle, as the environment – water, air, pollution – does not respect state borders. For example, Estonia shares the Lake Peipus with Russia and needs to deal with the Russians with regard to the common pollution problem of the lake. The SAIs of both countries cooperate well, Karis says, auditing the compliance with environmental regulations about the lake.

In the Baltic Sea several countries share common fish stocks and the need to ensure these are not depleted for next generations. Audits conducted by several Baltic countries demonstrated the pressure on fish stocks was too high. These parallel audits make the voice of a single audit institution louder, so that it is heard internationally, and it also attracts more attention nationally.

Two large-scale infrastructure projects that are currently under consideration in Estonia signify the need for international cooperation between SAIs. There is discussion about the construction of a tunnel underneath the Baltic Sea, between Tallinn and Helsinki, a distance of about 80 kilometres. And there is a proposal for a rail link from Estonia through Latvia, Lithuania and Poland to Berlin: Rail Baltic. The proposed route is designed to go through or nearby environmentally vulnerable areas.

ENVIRONMENTAL AUDITING

Due to the transborder nature of environmental challenges most SAIs recognize the importance of environmental auditing and have started implementing these audits as a part of their regular work. Since 2014, the Auditor General of Estonia is the EUROSAI Working Group on Environmental Auditing (WGEA) Chair and the NAOE hosts its Secretariat. EUROSAI WGEA and its members share a commitment to using the power of public sector audits to leave a positive legacy for future generations, by improving the management of natural resources and the environment, and the health and prosperity of the people of Europe. The EUROSAI WGEA's vision corresponds to that of the INTOSAI WGEA.

The main goal of EUROSAI WGEA is to encourage European SAIs to initiate and implement concurrent or coordinated environmental audits. For example, in 2012, nine European SAIs assessed their governments'

preparedness for climate change and actions to adapt to it. In Europe today, climate change is one of the major environmental concerns, and it is widely recognized that climate is changing throughout the region. The audit revealed that adaptation to climate change is not a priority for national governments. The SAIs recommend that their governments act in order to minimize the adverse effects of climate change on the environment, society and Europe's economy, as well as to take advantage of any beneficial effects of climate change.

Other issues that have been investigated in environmental audits by SAIs range from auditing waste management to preservation of biodiversity.

Further information can be found on www.eurosaiwgea.org.

Karis took the initiative and engaged his Latvian and Lithuanian colleagues. He asked them to keep an eye on the development of the Rail Baltic project and suggested the possibility of performing a joint audit in the near future. Karis: “The government must take special care with those initiatives and hopefully NAOE can help to bring out the risks beforehand, and not afterwards. We warned the government: you are creating new protected areas and at the same time you are considering Rail Baltic going through these areas. You cannot do these two things at the same time without conflicts. Estonia has about the same area as Holland, but it has about ten times less inhabitants. Yet, we have huge discussions about the use of open space because every property is important. The tunnel idea and rail project are sensitive issues. Nobody wants to have a railroad next to his backyard.”

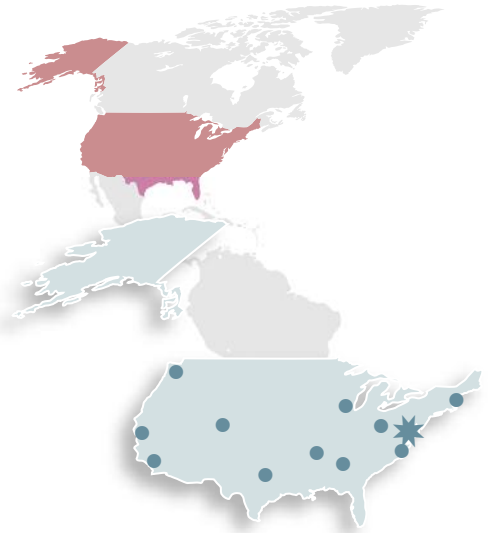


From Accounting to Accountability

DAVID WALKER

Dave Walker does not shy away from provocative action or bold statements. As the Comptroller General of the United States he drew public and political attention to the ballooning American government debt and the need for a fiscal overhaul. He says he was able to do that because he was respected as an independent professional and was not afraid to speak out on sensitive political issues. “If the Comptroller General is not going to speak out, then who will?”

The former head of the US Government Accountability Office (GAO) is convinced that independence is more than a state of mind. “My leadership philosophy is that you need to lead by example and practice what you preach. If you don’t do



USA

Population (2014)

322,583,006

GDP (2013)

16,768,100,000,000 USD

Government expenditure (2012)

24.0% of GDP

Headquarters SAI

Washington (11 regional offices)

DAVE WALKER

US GOVERNMENT ACCOUNTABILITY OFFICE

Comptroller General of the United States from 1998 to 2008. David Walker was born in 1951. He holds a degree in Accounting from Jacksonville University, a certificate of Public Policy from John F Kennedy School of Government (Harvard University) and various honorary doctorate degrees. He was a partner at Arthur Andersen and he held several government positions before he became Comptroller General at the US General Accounting Office. After he resigned from the GAO he became the President of the Peter G. Peterson Foundation from 2008 to 2010 and founder and CEO of the Comeback America Initiative in 2010. In 2014, he ran as a Republican candidate for Lieutenant Governor in the state of Connecticut.

The federal US General Accounting Office was established in 1921. The Budget and Accounting Act serves as the basis for its operations. It was renamed the US Government Accountability Office in 2004. The mission of the GAO is to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

Budget (2014): \$ 535 million (€ 500 million).
Personnel (2014): 3,000.

Website: www.gao.gov

that, you lose credibility – as an individual or as an institution. Independence is not just a technical matter about compliance, but also whether the outside world views you as being independent, with opinions based on the facts and circumstances.” The head of a Supreme Audit Institution (SAI) needs to be beyond reproach, he adds: “You are the chief accountability officer, the chief integrity officer for your government. So it is essential you are deemed to be independent, both in form and in substance.”

As the head of the GAO, Walker frequently stated: “If in doubt, check it out. If still in doubt, don’t do it.” It means, he explains, that when you have all the facts, both from the technical and value perspective, and have applied all the rules and standards – and you still have a concern about something, you better check things out with somebody else and it might be better not to do it. He also used to say: “The law is the floor of acceptable behaviour, and not the ceiling.” In other words: if you want to maintain ethical and moral standards, you should reach for the highest standard and not for the lowest level.

Expectations gap

GAO receives over 80 per cent of its audit assignments from the American Congress. Inevitably, differences of opinion on the nature of its auditing engagements occur. Therefore, Walker would urge his staff to explain the scope of their work in advance in order to avoid expectation gaps. He gives an example. The Speaker of the House of Representatives (the second in line in the

hierarchy to succeed the US president) wanted the GAO to review the effects of a law that dealt with a programme of college athletics in order to clarify to what extent women's programmes were equitable with men's programmes. The Speaker was not interested in possible positive aspects on women; he only wanted to know what the negative aspects were on men. Walker told him that the GAO would either look at the effects on men and women, or it was not going to do the review at all. In the end the GAO looked at both.

After a report is finished, differences of opinion on the outcome often arise. The GAO, like other SAIs, applies a protocol to deal with its conclusions. It uses an 'entrance conference' when it starts its work and does an 'exit conference' when it has finished. "Thus, every agency we audit has the opportunity to comment on our findings. We put those comments in the report and we either accept or reject them, and we explain why we have done so," Walker tells. Other SAIs use similar methods.

"I have been there too and if you're just going to believe the military management, than you don't need a Supreme Audit Institution."

High risk list

GAO employs a 'high risk list' that contains the names of agencies, programmes, functions and activities that are considered prone to waste, abuse, fraud, mismanagement or a lack of efficiency and effectiveness. To tackle these shortcomings, action is often required not just by the executive branch agencies, but also by the lawmakers in Congress. Therefore GAO would put an 'asterisk' on issues that require action by Congress, like changing a law, authorizing or repealing certain regulations.

Since the war in Vietnam, GAO personnel have accompanied American military forces that are sent abroad. When the US went into Iraq in 2003, the GAO investigated 'on the ground' what was going on regarding development, security, reconstruction and the formation of a new government. Walker testified to Congress at around the same time as General Petraeus (then commander of the American forces in Iraq). He recalls that Congressmen tended to think: Petraeus is the four-star general on the ground, so we believe whatever he says. Walker told them: "I have been there on the ground, too, and if

you are just going to believe the [military] leadership, then you don't need a Supreme Audit Institution. Management typically presents the positive and minimizes the negative. The purpose of the GAO is to separate the wheat from the chaff and provide you with a full, fair and independent perspective about what the situation is." In the case of Iraq, he said there was a huge waste of money and that things were not as rosy as they were presented.

From 'Accounting' to 'Accountability'

When he started as the Comptroller General, Walker developed a mission statement and a strategic plan for the Agency. The plan stated obvious things like, "What do we try to accomplish? How do we measure success and how do we allocate limited resources to achieve the most impact?" The agency was reorganized and its field offices were reduced from 16 to 11. A layer of management was eliminated. GAO also changed the way it measured its own success: not related to outputs, in terms of number and kind of reports,

MEASURING FINANCIAL BENEFITS

As a form of performance measurement, the GAO calculates the financial benefits of its work for the federal government. The GAO's findings and recommendations produce measurable financial benefits for the federal government after the Congress or agencies take action in response to them. The financial benefit can be the result of changes in business operations and activities, restructuring of federal programmes or modifications to entitlements, taxes, or user fees. Audit teams rely on a variety of mainly non-GAO sources and use a specific tool to measure benefits and to convert them, in net present value, to actual dollars. They are reported on in the annual GAO Performance and Accountability Report.

Example

From 2006 to 2009, the GAO studied various aspects of NASA's Constellation programme, including the Orion and Ares I projects. They questioned the affordability and overall acquisition strategy for each project and stressed that NASA needed to develop a sound business case. Development and funding problems with the project led to an extended gap in human space flight capability. As a result, in NASA's fiscal year 2011 budget request the Constellation programme was cancelled, halting the programme's planned entry into the implementation phase of development. The financial savings are estimated to be about \$ 8.0 billion.

Source: www.gao.gov/about/perfmeasures.html

but to outcomes in terms of financial savings and other benefits. It reviewed its performance measurement and reward systems accordingly.

By the end of Walker's tenure, the Agency was 13 per cent smaller in terms of head count, its ecological footprint was a third smaller and was much more productive, he says. It had a return of \$ 110 for every dollar invested in the Agency. The calculation is based on the extent that government agencies implemented improvements recommended by GAO and how much these would save over a five-year period. According to Walker, the financial benefits were over \$ 55 billion in the last year he was the Comptroller General and the GAO budget was about \$ 500 million, resulting in the estimated rate of return ratio of 110 to 1. Improvements in 'soft' issues like safety, security or privacy are obviously hard to calculate in money terms. Therefore, GAO expresses non-financial benefits that can lead to better services in descriptive terms.

The way GAO was restructured is a model for what needs to be done throughout the federal government, Walker believes. But public sector reform must be initiated from the White House and the current president is not focused on this issue, in his opinion. There is a difference between getting elected and governing, he says wryly. "Sometimes we have presidents who don't find public sector reform sexy."

In 2004, Walker achieved enactment of legislation that changed the name of the Agency from the US General Accounting Office to the US Government Accountability Office. "It became evident that there was a mismatch between what we were called and what we did," Walker explains. People thought the GAO only did financial auditing, while in fact it does a broad range of audits, including programme evaluations, performance reviews, programme analyses, legal opinions and investigations into fraud or violations of law. The name also created an expectation gap: new members of Congress and executive branch staff wondered why the General Accounting Office wanted to know about the effectiveness of a particular government programme and not just the way the money was spent. Finally, accountability has a broader meaning than accounting: it also refers to other areas like government transparency and performance.

The impact of the new name – Government Accountability Office – turned out to be a success, according to Walker. "The new name makes clear we put more emphasis on accountability, good governance and performance auditing. My biggest concern was that we kept our brand name, the acronym GAO."

Blackberries and trailers

Like all SAIs, GAO strives to be fact and evidence based. It points out what is wrong and emphasizes what needs to be fixed. But it also acknowledges what is right. Walker gives two examples of this ‘constructive engagement’. For years, the Defence Department had problems with regards to its financial management, but it made progress tackling them. “You have to acknowledge their efforts,” Walker says. “That makes you constructive in what you are doing. It makes a huge difference in the relationship with the agencies we audit when you are not adversarial.”

More complicated was the engagement with the US Post Office. People communicate in a different manner nowadays; the US Postal Service was not built for the electronic age. At a hearing in Congress Walker held up a Blackberry and said: “This is competition to the Post Office.” The problems were not just that electronic mail was taking off and that regular mail was in decline, the Post Office was also burdened by legacy costs for pensions and retiree health care. It tried to diversify, but even today it still is losing money and has serious financial difficulties.

In 2006, the American government had to deal with the effects of Hurricane Katrina, which devastated the New Orleans area. Although one would expect the United States to be better prepared, GAO took lessons from the East Asian tsunami disaster two years earlier. On more than one occasion Walker went to the devastated areas. “You have a lot more credibility in testifying when you can say that you have been there.”

The aftermath of Katrina highlighted the dysfunction within the Federal Emergency Management Agency (FEMA). Over the years FEMA’s management had deteriorated and, subsequently, FEMA was involved in the broad government reorganization after 9/11 that created the Department of Homeland Security. FEMA did not have capable leadership and

1921	1998	2004	2008 (march)	2008 (august)	
<p>Establishment of the General Accounting Office. GAO was created because federal financial management was in disarray after World War One. Wartime spending drove up the national debt, and Congress saw</p>	<p>that it needed more information and better control over expenditure.</p>	<p>David Walker enters office as Comptroller General.</p>	<p>The GAO is renamed the Government Accountability Office.</p>	<p>David Walker leaves office, Gene Dodaro currently is the Comptroller general of the United States and head of the US GAO.</p>	<p>Release of documentary IOUSA, featuring David Walker and others. The film focuses on the shape, impact and potential dangers of the United States national debt.</p>

failed in its planning and execution. After Katrina, Walker recalls, FEMA bought things it did not need, things it already had, and things it could not deploy. FEMA wanted to put trailers as temporary homes on a place that was designated as a flood zone. Federal law did not permit deployment there. So the trailers were put 50 to 100 miles away from the disaster area. Thousands of displaced people were given shelter in the Astrodome in Houston, a stadium that is normally used for sports and indoor rodeos, at a distance of 350 miles (550 km) from New Orleans. GAO issued critical reports on the activities of FEMA and a shake-up took place. “I think we are better prepared now when a future disaster strikes but you only know when that happens,” Walker summarizes.

Crisis and recovery

After the financial meltdown of 2008, the federal government embarked on huge bailout programmes for the American financial sector. GAO considered its task to investigate the federal spending of the billions of dollars for the rescue of America’s largest banks, mortgage lenders and insurance companies. But when it requested information from the Federal Reserve (‘the Fed’), the American system of central banks, it encountered restrictions on what it could do. The Fed was not obliged to give access to its confidential data on banks it supervised. As in the Netherlands, where the Netherlands Court of Audit encountered a similar refusal from the Central Bank to furnish information related to its banking oversight, the financial crisis catalyzed the need for revision of the legal relationship between auditors and the Central Bank. GAO’s legal rights to access Federal Reserve information has improved, but still more needs to be done to give the agency access to all of the information that it requires to protect the public’s interests, Walker states.

In the wake of the crisis, the federal government passed the American Recovery and Reinvestment Act (ARRA), and infused over \$ 700 billion into the economy, basically for infrastructure. The use of ARRA money was sometimes questionable, Walker says, as the US does not really have a national strategic plan on infrastructure. “We don’t know what we want to do with those amounts of money. You cannot apply it on a short term’s notice. The only thing you can do quickly is repave roads or repair bridges. But that does not really increase economic growth, mobility or environmental protection.” The US, he believes, needs to start with better planning between the federal, state and local governments about the infrastructure and it needs pre-permitting for high priority projects. That way emergency money can be allocated faster and in a more appropriate manner.

In order to increase the public transparency of the ARRA programme, the federal government set up the website www.recovery.gov. Thus, tax payers can follow how their money is spent. The initiative is a useful way to be accountable, Walker says, though he

warns for data overload. “You’ve got to provide aggregated data timely and in a way that they are accessible and understandable.”

Long-term objectives

The first time Walker attended an INTOSAI meeting was in Uruguay, in 1998. His impression was that the organization had great potential, but it was too bureaucratic and it had a governance problem. He was convinced that there was a need to stimulate innovation and to provide a mechanism to share best practices among SAIs. So he created the Global Working Group (GWG) of a group of SAIs from all over the world. “It was like a petri dish where new ideas could be nurtured and subsequently be passed on to INTOSAI, so INTOSAI could distribute them among other SAIs,” he recalls.

All SAIs share issues they have to deal with in their respective country. They perform fiscal, environmental and infrastructure audits; they have to assess their own performance, be active in strategic planning and the shaping of their organization, and maintain sometimes sensitive relationships with auditees. The GWG turned out to be a platform for best practices and lessons learned. Looking back, Walker says: “There is no question about it that the GWG worked as a catalyst that helped INTOSAI to become more dynamic.”

When he became the head of the GAO in 1998, Walker had three long-term objectives. He wanted to make the GAO a world class organization that led by example and practiced what it preached. He wanted to make federal, state and local auditors more respected and effective. And he wanted the government to make a down payment on its structural deficit problems.

“After nine years I had accomplished two out of three goals. On the third, the fiscal issue, there was a limit to what I could do,” he says. Still as the Comptroller General, Walker was filmed for a documentary on the government debt – I.O.U.S.A. He was featured in this film, released in 2008 after he had left office. He felt he could not make any progress on the debt issue while he stayed at the GAO.

He would have stayed at the GAO if he had felt he could have pressed on with his concerns, without putting the agency at risk. “I would have done it. You’re much better to be on the inside.” Yet, at the GAO he could identify the problems and give warnings, but he could not suggest specific policy solutions. It was frustrating. Someone credible and non-partisan was needed to contribute with solutions to make the nation aware of the national debt crisis. “You have to be articulate in a compelling fashion, so that it gets clear to the public, media and policymakers. That was the reason I left the GAO,” Walker recounts.

DAVID WALKER ON HIS CRUSADE AGAINST FEDERAL DEBT

"The federal budget had a unified budget surplus in 1998, 1999, 2000 and 2001. Apparently, American public finances were in good shape, at least in the near term. At the beginning of the 21st century the political debate was about how to prevent growing surpluses, but I was convinced the US was heading for a fiscal problem.

Those surpluses were mere projections, I told the Senate in 2001, as beyond the horizon we faced growing deficits because of trends in life expectancy, health care and pension costs. Then the attack of 9/11 took place and the US went to war in Afghanistan and Iraq and later the financial meltdown of 2008 led to a severe economic recession. The projected surpluses turned into ballooning deficits.

From George Washington to Bill Clinton, 42 presidents, the American government accumulated \$ 5.3 trillion in debt. Under the two next presidents, George Bush and Barack Obama, it is now over \$ 18 trillion. The real number is even bigger because tens of trillions of dollars are not on the federal balance sheet, like future claims for Social Security, Medicare and other programs.

You need to be prudent. The least risky thing you can do is pay off debts. That will reduce interest payments for tomorrow and it gives you more fiscal flexibility in the future. Better targeted investments into critical infrastructure, research and the like can also be appropriate. I propose a distinction between an operating budget and a capital budget, whilst the operating budget should balance over the economic cycle. The US should also employ debt to GDP targets, like the European Union does for the countries in the eurozone, as the level of debt is more significant than the annual deficit. Finally, reforms like a broadening of the tax base, eliminating tax deductions and lowering the top marginal tax rate are needed. Right now, almost half of all Americans don't pay any income tax at all and tax rebates for the rich are abundant.

Meanwhile, the annual federal deficit has come down substantially as a percentage of GDP but the fiscal disease has not been treated. Look at the amount of debt we are leaving behind for our grandkids. Excessively high debt is not only irresponsible, it is unethical and immoral."

See also: www.iouasothemovie.com

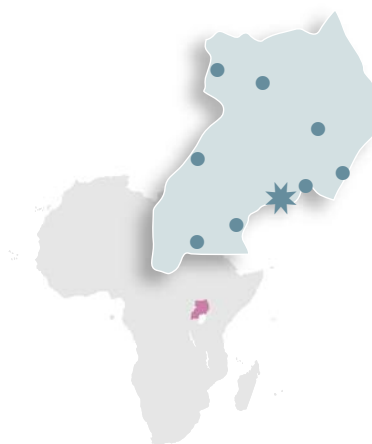


Auditing extractive industries and the ‘oil curse’

JOHN MUWANGA

John Muwanga laughs loudly. “Why me?” he asks at the end of the interview. It may be his modesty, but the reason is obvious. Muwanga does not hesitate to speak out about delicate topics, like the relationship between donor and aid receiving countries, or about ‘the curse of natural resources’, the sudden availability of huge amounts of valuable minerals in a developing country.

Muwanga is probably the only Auditor General (AG) who has resigned out of disappointment and made a successful comeback. He was first appointed in 2001, but at that time the government had difficulties in paying a sustainable salary and it was reluctant to



Uganda

Population (2014)

38,844,624

GDP (2013)

21,493,615,478 USD

Government expenditure (2012)

14,3% of GDP

Headquarters SAI

Kampala (8 regional offices)

JOHN MUWANGA OFFICE OF THE AUDITOR GENERAL OF UGANDA

Auditor General of Uganda from 2001 to 2006 and again from 2007 to date. John Muwanga was born in 1956. He is a Chartered Certified Accountant (FCCA) and holds a Masters degree in Accounting from the University of Glamorgan (UK). He was a partner with Coopers & Lybrand in Zambia and Malawi, and held key positions in the Ministry of Finance in Uganda. In between his terms as AG, he worked on a multi-lateral donor project at the World Bank.

The Office of the Auditor General (OAG) of Uganda can be traced back to 1900 when it was an extension of the UK Colonial Office based in London. The Uganda Office was established in 1929. The present mandate of the Auditor General is detailed in the 1995 Constitution of the Republic of Uganda (as amended) and the National Audit Act, 2008.

The OAG is mandated to audit and report on the public accounts of Uganda and to further conduct financial and value for money audits in respect of any project involving public funds. Vision: "To be an effective and efficient SAI in promoting public accountability."

Budget (2014): 51.6 billion Ugandan shilling (€ 17 million). Personnel (2014): 480.

Website: www.oag.go.ug

create a conducive environment that would foster independence for the Office of the Auditor General (OAG). After five years at the OAG, Muwanga left Kampala for a job at the World Bank in Washington.

During his first term, Muwanga struggled to gain operational and financial independence for the Office. At that time, the staff at the OAG consisted of civil servants, subject to the authority of the Ministry of Public Service. This was an unsatisfactory state of affairs, all the more so as the ministry was in turn audited by the OAG. In order to make the staff independent, it was necessary to amend the Constitution and delink the Office as a 'public office' from the ministry. This was achieved in 2005 after extensive lobbying and representations to the Constitutional Review Committee, which had been established to examine legislative reforms in Uganda.

After Muwanga returned to Uganda, following his re-appointment as Auditor General in 2007, he commenced work on new legislation for the Office. The National Audit Act of 2008 brought about a number of improvements in the position of the OAG. "It was a milestone in our struggle. Most of the pillars for an independent audit office were now enshrined in law," Muwanga says. He was able to hire young and vibrant professionals: lawyers, economists, geologists, engineers and IT professionals. "Our technical competence has increased tremendously. This has given us the ability to expand in areas like the newly emerging oil industry with its complex financial environment, areas that previously were a massive challenge for us," he says.

However, the Office has not gained full financial independence yet. Its budget is constrained by the expenditure ceilings of the government's main budget. Supplementary funding from development partners therefore is also sought, particularly to assist in staff capacity building and logistics. But generally speaking he is satisfied with the relationship between the Audit Office and the government. In 2014, OAG completed the construction of its 'Audit House', a ten story building with three basement floors for parking in the centre of Kampala. "When we move into this new building it will enhance our operational independence and our efficiency because right now our staff is scattered in three different locations in Kampala."

In 2007, Muwanga's reappointment was due to lobbying from various sides. The donor community, particularly Norway, also pressed for his return as the Auditor General. "Very much so," he says. "They were keen on my return and apparently that had some impact. I got a warm welcome when I came back."

Donor fraud

In 2013, the OAG discovered a particular case of corruption that had serious repercussions for the foreign aid Uganda was receiving. The fraud took place inside the Office of the Prime Minister (OPM) and also involved the central Bank of Uganda (BOU) and the Ministry of Finance (Treasury). It was a sophisticated fraud involving the collusion of senior officers in these three government departments. The fraud consisted of the diversion of 38 billion Ugandan shilling (€ 11 million) of donor funds from Norway, Sweden, Denmark and Ireland. These donor funds were earmarked for Peace, Recovery and Development Programmes (PRDP) in northern Uganda, an area which had been ravaged by wars for many years. They were diverted to accounts at the BOU over which the fraudsters could exercise control.

A large part of those funds (14.8 billion shilling, € 4 million) ended up in a dormant account of the OPM at the BOU called 'crisis management a/c'. Subsequently, staff members of the OPM utilized these monies to carry out PRDP activities without approved work plans and conflicting with the agreed procedures with the donors. A further 16 billion shilling (almost € 5 million) was paid out to accomplices using codes that were fraudulently obtained from an officer in the Treasury. The dormant BOU account was used to pay local suppliers of goods and services. The recipient would keep a small part of the money and transfer large sums back to the swindlers. In total about 54 billion shilling (approx € 17million) was involved.

The revelation of the fraud led to the suspension of further donor aid to Uganda. The donors demanded that 38 billion shilling would be refunded. The government, in dialogue

with the donors, committed itself to investigate the fraud, prosecute the suspects and recover the funds inappropriately paid out. It ordered the OAG to undertake an expanded audit to assess the pervasiveness of the fraud.

After the scam was revealed the principal accountant in the Office of the Prime Minister was prosecuted and is currently in jail. The police (Criminal Investigation and Intelligence Directorate, CIID) are continuing their investigations to date (early 2015). Donor money is now more closely supervised and no longer runs directly through the national budget. The donors are satisfied with the measures undertaken by the Uganda government and have resumed their aid.

From brown envelopes to 'legal' corruption

The Annual Reports of the OAG mention many cases of irregularities, ghost payments to contractors and lack of accountability. Muwanga signals a trend: “Corruption in Uganda is getting more sophisticated. We have moved away from the ‘brown envelope’ type of corruption, small payments under the table for favours. Now we are looking at corruption issues that amount to billions of shillings. The notion is that you steal enough money so that you can pay for your way out.”

More sophisticated levels of corruption tend to acquire legal aspects. “Nowadays, fraud is entangled in public contracts, like contracts for the construction of roads and infrastructure. Then you talk about big money. Engineering contracts have built-in provisions like ‘variation of price clauses’. With those types of contracts it is getting more difficult to identify fraud.” This puts the government at a disadvantage, Muwanga acknowledges. “We send our reports to the members of parliament. But they are not engineers. They don’t have the technical ability to discern what is relevant in contracts, or how to bring contractors to account. Therefore, as fraud moves into a more technical direction, it becomes more complex to unravel it.” In order to identify irregular expenditure, the OAG hires an engineering consultant firm (based in Tanzania) to assist with the audits of the road contracts.

Abuse, misuse, neglect or otherwise unwanted spending of public funds takes place at all levels and in all parts of government, Muwanga says. There was a case (in 2011) that involved a claim of a locally renowned businessman who demanded 142 billion shilling (€ 42 million) in compensation for street markets that had been repossessed by the city council of Kampala. Meanwhile, the central Bank of Uganda had guaranteed the financing by commercial banks of about 150 billion shilling (€ 44 million) to this businessman. When

the OAG, together with a private audit firm, carried out an audit it discovered that there was no basis for the compensation the businessman demanded, as his claim lacked substantive support. If anything, he owed money to the government.

“Corruption in Uganda is getting more sophisticated.”

Strictly speaking, it is not the prime responsibility of the Auditor General to discover fraud, Muwanga says. “We are not investigative agents, we cannot question people under oath; we don’t have powers to summon them. As the Auditor General, I am responsible for accountability of public resources. But when, in the course of an audit, we run into fraud, of course we dig into it.” In Uganda, the CIID and the Inspectorate of Government (IG) are entrusted with investigative powers and possess the legal authority to charge individuals. Both CIID and IG act on reports produced by OAG. But the capacity of the police is constrained. They need to be strengthened logistically, technically and morally. As Muwanga says: “An audit report is only as good as the outcomes it manages to achieve.”

The National Audit Act gives the OAG the authority to request all information it deems necessary from the auditee. If individuals do not comply, the Act allows them to be imprisoned upon conviction. Muwanga: “That does not mean we receive all information, because once frauds have a legal twist they become highly complex to unravel and you don’t know what information you need.” Wealthy individuals who are suspected of fraud hire the best lawyers and file complaints against the AG, accusing the Office of legal wrongdoings. In one instance there were as many as five cases at the same time from the same source. Muwanga: “We do our ordinary work under immense pressure and then on top of that we have to deal with these lawsuits. We have been successful in our defence, except for one recent case that we lost.” According to that particular verdict, the Auditor General had overstretched his authority. “Of course, I respect the court judgement, but I believe that in this matter our case was focused on chasing a fraud,” Muwanga says.

In June 2014, the OAG undertook an Integrity Self-Assessment, which was moderated by facilitators from the African Organization of Supreme Audit Institutions (AFROSAI-E). The assessment was conducted by applying the SAINT methodology, as provided by the Netherlands Court of Audit (NCA) for members of INTOSAI. The basic concept of the methodology is to recognize that integrity implies not only observing rules and laws but also a moral responsibility, and to recognize this as a quality aspect of the organization and the responsibility of the management.

“The IntoSAINT programme has opened our eyes on the issue of integrity within our own organization. Vulnerabilities as regards to the integrity of our staff have been brought into the open. We are now looking at areas where these vulnerabilities need to be addressed within

our own SAI, by identifying integrity risks and drafting a policy. Our internal reporting structures need to be strengthened. We concentrate on the outside world, but we also need to look at our own circumstances, at the way we report internally within our office, and at relations between the staff and the management.”

Auditing donor aid

The OAG audits almost all donor projects in the country, and sends these reports to the parliament as part of his annual report. However, one or two donors prefer to appoint their own auditors to verify that their aid money is correctly spent. It can be a contentious issue, Muwanga concedes. “In the past, there was a situation where a local authority provided the same accountability report to two different donors. Hence, this local authority was receiving aid twice for the same initiative. When the auditors of the donor country came across this fraud, they sought our assistance to raise an alarm. But as we were not involved in their arrangements, there was little we could do with their findings and their audits could not be sent to the Uganda parliament.” Today, Muwanga continues, the OAG is happy to accommodate the outsourcing of the audit of donor projects to private auditors, provided it is done through the Office, including their appointment and oversight. The OAG subsequently submits their reports to parliament.

For the Audit Office of an aid-receiving country there is a significant difference in auditing donor money destined for budget support programmes and money for project support. In the case of project support, the SAI has to audit the particular aid programme and also the broader government sector of which the programme is a part. Moreover, some donors have additional reporting requirements that they wish the auditor to undertake. This obviously places an additional burden on the SAI of an aid-receiving country. Budget support is easier as the donor money is earmarked for the general budget. It means the SAI does not have to double its auditing. The donor funds for budget support form part of the consolidated accounts of the government. However, this poses more difficulty on the donors as they in turn have to report to their respective parliament on the effectiveness of their foreign aid. Donors therefore need additional assurance that the auditing systems in the recipient country are sufficiently strong and adequate to ensure that aid is not abused or misused. This assurance can be provided by the local SAI.

One of the problems with donor aid is that there are many donors and all of them employ their own rules. “Therefore, we are now discussing donor basket funding,” Muwanga tells. “Donors jointly provide money for a particular project. Instead of having to do numerous separate audits for every donor, you just have to perform one report.”

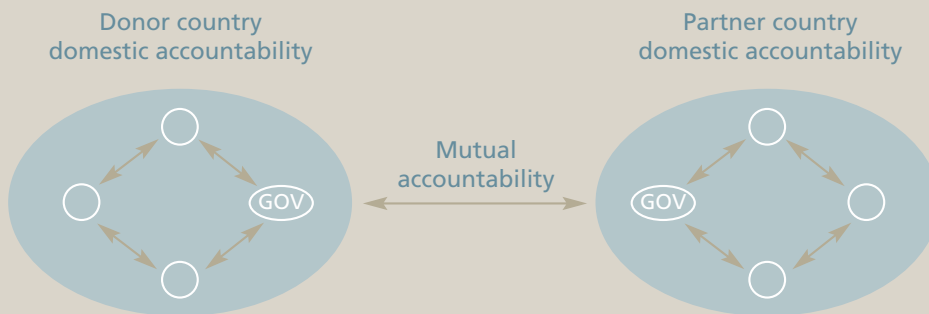
MUTUAL ACCOUNTABILITY IN BUDGET SUPPORT

The principles for budget support are based on the Paris Declaration on Aid Effectiveness (OECD, 2005) and Accra Agenda for Action (OECD, 2008), applied by most countries in the world. The Declaration and the Agenda were formulated to improve the quality and impact of aid and to strengthen ownership over aid and developing processes by the developing countries themselves.

One of the formulated principles is mutual accountability: both the donor country and the partner country account to each other for the funds and results. The international community applies this principle in order to enhance transparency and accountability in both the recipient country and the donor country regarding the use of development aid. Mutual accountability has three core elements (OECD, undated):

- generating a shared agenda (through shared goals and conditions for the transfer of the donor aid and national development strategies, which define what the donor funds will be used for);
- monitoring and reviewing mutual activities, conditions and results (e.g. by means of Performance Assessment Frameworks);
- providing space for dialogue and negotiation (e.g. through joint working groups and consultative groups, which include donors and partner government executives, parliamentarians and civil society partners).

Governments in both the partner and the donor country must account in their home countries for the aid received and granted (domestic accountability). Parliament, supreme audit institutions, civil society partners, political parties and the media are stakeholders in domestic accountability.



Accounting for bilateral development aid; Sector budget support - Uganda case study, NCA (2012).

Still, there are conflicting interests between the auditors of the donor and the recipient countries, he recognizes. “In the donor country you have to consider the concerns of the tax payers that their money is well spent. It is also in our interest that donor aid is properly spent,” Muwanga stresses. He expects closer cooperation with donor auditors when the receiving auditors can give assurance that aid money has been used for the intended purposes, or when cases of misappropriation are unveiled – like the fraud case at the Office of the Prime Minister.

When the donors suspended their aid in 2013 this had huge effects as about 25 per cent of Uganda’s budget is dependent on foreign aid. On the one side, it increased awareness that if money is abused, aid will be suspended and the country can be forced to refund the money. On the other side, suspension affected those people who most need the aid – and not the people who misappropriated it.

In order to diminish the dependency on foreign aid, the government is trying to diversify the state income, among other ways by raising taxes. The top income tax rate increased from 30 to 40 per cent and a tax on banking transactions has been introduced. Muwanga is sceptical about the effect of higher taxes without broadening the tax base, because he fears that higher rates also encourage further tax evasion.

Working Group on Extractive Industries

A new source of revenues for the government will come from the oil exploration that starts in the near future after the discovery of considerable oil deposits. The incipient oil activities are the reason why Muwanga is particularly interested in the Working Group on Extractive Industries (WGEI), a recent INTOSAI initiative. A number of SAIs felt the need for assistance in tackling the complicated issue of auditing extractive industries. A working group was formed and the Ugandan SAI offered to chair it. “We had been working closely with the Norwegian Court of Audit as we are trying to develop our own strategy in view of the oil discoveries in Uganda,” Muwanga explains. “In the next two to three years the oil starts flowing and a new refinery will be ready. We want to know what we have to do.”

“WGEI is not about technical knowledge of the extractive industries; it is a community of support, experience and information sharing. One of the members can possibly provide us with experts to build up our own internal capacities,” Muwanga continues. Countries with vast experience of dealing with the oil and gas industries have joined: Norway, Brazil, the US, Iraq and the Netherlands take part in the Working Group. Meanwhile, WGEI is looking for other oil- or gas-producing countries to join.

Once production takes off, Uganda will face the risk of the ‘oil curse’ if it is not adequately prepared and has no strong accountability systems in place. The ‘oil curse’ – also called the ‘curse of natural resources’ – refers to the economic, social and environmental disruptions that can be caused by the extractive activities and the huge stream of money that will accompany it. In the near future, oil revenues will cover about two thirds of the government income. “It really is big money and we have to increase our auditing capacity substantially in order to deal with it,” Muwanga says. “We need to build stronger accountability systems and improve our competences in the area of oil and gas. We are also campaigning for Uganda to join the EITI, the Extractive Industries Transparency Index.”

“We intend to engage stakeholders and the local population in the oil audits.”

In many African countries, ‘the oil curse’ has caused tremendous social, economic, political and environmental havoc. Muwanga is aware that in order to avoid this happening in Uganda many things must be improved in a short period of time. Accountability, transparency and integrity must be more firmly entrenched. Muwanga maintains: “It sounds like asking for heaven on earth and increased government support would certainly help.”

In the run-up to the oil bonanza, the OAG is auditing the Production Sharing Agreements (PSA) the government has signed with the oil firms. Oil companies are among the biggest corporate players in the world and have revenues far bigger than the national income of Uganda. The PSAs will ensure that the oil companies are refunded for their exploration

From 1900	1929	1995	2001-present	2008
The accounts of the Uganda Protectorate Government are audited by auditors from the Director of Colonial Audit in London.	Establishment of the Office of the Auditor General of Uganda.	Constitution of the Republic of Uganda refers to the mandate of the OAG.	John F S Muwanga, Auditor General (with a short break in 2007).	Mandate and independence of the OAG is further enshrined in law with the National Audit Act of 2008.

expenditure once the oil flows. “We are carrying out cost verification audits to ensure that the claims the oil companies make will be in conformity with the PSAs. That is basically our task at the moment.” As a result of these audits, the OAG has disallowed certain expenditure that had been claimed by the industry.

The biggest challenge, Muwanga says, is to ensure that the future oil revenues will benefit the Uganda population at large, and not just a handful of persons. “Of course we will carry out our audits, but to promise a conclusive statement that all oil revenues will be well spent – I am not sure that’s possible.”

The most prudent policy would be to establish a sovereign wealth fund for the oil revenues, like Norway and a few other countries have done. However, Uganda currently has other urgent challenges, Muwanga says. Though no decision has been taken, he assumes that the oil revenues will go into infrastructure investments that can bring about economic growth, rather than into a wealth fund with benefits in the distant future. That said, it will be a huge challenge to ensure that the oil revenues are not used for consumption but rather for investment and development that create wealth.

Muwanga intends to engage stakeholders and the local population in the oil audits. Recently, an environmental audit was carried out in the Albertine region in western Uganda where the oil has been found. There are procedures to ensure that the wastage will be adequately stored, without damage to the environment. Muwanga is pushing the government to ensure that the National Environment Management Authority is sufficiently empowered to cope with the oil exploration. “The Albertine region is a beautiful area, located in one of our national parks. There are going to be downsides to the oil discovery and if nothing is done, the area will be affected. One can just see the danger: oil and nature don’t mix,” he says.



Rebuilding the Board of Supreme Audit in a shattered country

ABDULBASIT TURKI SAEED

Now that he has retired, after ten years at the helm of the Federal Board of Supreme Audit (FBSA) in Iraq, Abdulbasit Turki Saeed has more time for his hobbies – reading poetry and gardening. “I believe my garden will be very grateful that I have retired,” he says with a wry smile.

When Dr. Abdulbasit Turki Saeed started at the FBSA in 2004, he had two options: either accept the dramatic situation he encountered or try to build a whole new institution. He chose the latter. “Our biggest achievement is that we rebuilt the FBSA while everything else around us was collapsing,” Abdulbasit says. “We wanted to make the FBSA a role model of governance. An institution that is professional,



Iraq

Population (2014)

34,768,761

GDP (2013)

229,327,284,734 USD

Government expenditure

Not known

Headquarters SAI

Baghdad

ABDULBASIT TURKI SAEED FEDERAL BOARD OF SUPREME AUDIT OF IRAQ

President of the Federal Board of Supreme Audit (FBSA) of Iraq from 2004 to 2014. From 2012 till 2014 he was also Governor of the Iraq Central Bank. Abdulbasit Turki Saeed was born in 1953. He holds a doctoral degree in Economy and Public Finance from Al Mustansiriyah University. He was a lecturer at the Bagdad and Al Mustansiriyah Universities and he held various positions in the Iraqi government. He became Minister of Human Rights in 2003, but resigned a year later.

The Board of Supreme Audit (BSA) was established in 1927 with the founding of Iraq as a nation state. In 2011, a new law gave it powers as a financially and administratively independent institution and in 2012 the BSA was renamed the Federal Board of Supreme Audit.

The main task of the FBSA is to help the Council of Representatives (COR), Iraq's national parliament, verify that public funds are well spent. The FBSA is responsible for auditing the Government of Iraq's accounts and overseeing public contracts. The FBSA also identifies cases of fraud, waste and abuse and refers them to anti-corruption agencies like the Commission on Public Integrity and Inspectors-General in ministries and agencies.

Budget (2014): no known budget. Personnel (2014): 2,969.

Website: www.d-raqaba-m.iq

independent and impartial and that is indispensable to rebuilding the country.” The primary goal of the FBSA, he says, is to install the rule of law and fight corruption. But he also believes its role is to contribute to improvement of the public sector of Iraq in the most adverse of circumstances.

Abdulbasit initiated training programmes for the employees of the FBSA and re-established relationships with international organizations. He convinced government institutions that FBSA reports were impartial. “As the Supreme Audit Office we have to be independent of the government. We are not politicized. We tell the truth whenever we can, with a calculated risk, but we avoid making scandals to others,” he says. “And it has to be absolutely clear that we are not involved in the social and religious contradictions of Iraq.”

While the country was recovering from war and civil strife – and occasionally falling back into chaos – the FBSA gained public trust. In part, this had to do with the personal history of Abdulbasit. In 2004, he resigned as the Minister of Human Rights in protest at the abuses by the American armed forces that occupied Iraq after the fall of Saddam Hussein a year earlier. That gave him respect among the population and offered him a certain social immunity.

When he was appointed as the president of the FBSA he was determined to do whatever was needed – and never to resign again. In his first year he presented his vision on the future of the organization to

the staff in the FBSA branch offices all over the country. While the country was collapsing he wanted to make the FBSA an institution capable of restoring ‘good governance’. He urged the employees to give their opinion on his plans. “The majority of them thought that I was imagining the impossible,” he remembers.

He introduced rules for administrative and financial control in government and strengthened the audit mechanisms in order to perform them according to international standards. New rules were established to ensure transparency and fairness in awarding government contracts. All state institutions received manuals they had to use for their internal controls. The FSBA put all executive entities of the government under its compliance and made them accountable. Abdulbasit convinced the Minister of Finance to cut off funding to government institutions that were not implementing the FBSA accounting rules. “This way they were forced to apply our rules. That was our secret strategy,” he tells.

At the same time, the FSBA made clear to government entities that its auditors were not the police. The FBSA was there to advise them on how to avoid administrative mistakes. All this reinforced the public confidence that the FSBA was trying to make a difference.

Big corruption cases

Transparency International’s corruption index ranks Iraq as 171 out of a total of 177 countries. It is an indication of the endemic corruption that exists in Iraq. According to Abdulbasit, the success in fighting corruption is closely related to the security situation and the stabilization of the country.

Saddam Hussein deprived the FBSA of the authority of administrative investigation and to refer corruption cases to the General Prosecutor. The Coalition Provisional Authority, the American-led administration after the fall of Saddam in 2003, maintained these constraints. Only in 2011 did the FBSA regain its administrative powers. Meanwhile, Abdulbasit had started the recruitment of lawyers as auditors at FBSA. Today, it has a specialized legal department with people trained to fight corruption, and the FSBA has disclosed major corruption cases that have been referred to the Commission on Integrity, Abdulbasit tells.

An infamous case occurred in 2004 and 2005. The Ministry of Defence had signed military contracts amounting to \$ 1.25 billion. Legal and technical documents were lacking. The contracts were awarded without a public tender process. No extensive planning had been done of the needs, priorities and requirements of the army.

A similar corruption case in that same period dealt with contracts issued by the Ministry of Electricity. The ministry failed to comply with the rules about announcing the bid and analyzing the offers made. Several contracts were awarded to companies that were established specifically for the purpose of winning these contracts.

While the audit took place at the Defence Ministry, Abdulbasit took two decisions. First, he forbade the staff of the ministry, including the minister himself, to travel outside the country. Second, the audit was performed by auditors who previously were not assigned to the Ministry of Defence. When the new team finished its report he gave leave to the auditors and moved them outside the country because he feared for their safety. “In the same year we were doing this audit the Inspector-General of the Ministry of Defence, a woman, was assassinated inside the ‘green zone’, the government zone of Baghdad that is supposed to be safe,” Abdulbasit recalls.

He handed the audit on the Defence Ministry over to the prime minister and requested that the government take action against the individuals suspected of corruption. When nothing happened, he resorted to the parliament. Finally, the Committee on Integrity and the Inspector-General were forced to take action. The Minister of Defence and a number of his staff were sentenced to prison. The minister fled the country. The highest official responsible for the procurement was sentenced to 60 years in prison. He also escaped and now lives abroad.

Yet, Abdulbasit is satisfied that, at least, the suspects have been convicted. “It will be an example to other people to abstain from corruption. That’s why I am convinced that discovering an irregularity and not hold anyone responsible for it is worse than not discovering the corruption at all.”

Qualified audits

In 2013, a peer review performed by the Netherlands Court of Audit concluded that the FBSA is largely complying with the international INTOSAI standards for Performance Auditing. The FBSA decided that in situations where there is no local standard in Iraq, it should implement the international standard. All public institutions are subject to FBSA auditing – from the presidency of the Republic and the parliament to the smallest local units. According to Abdulbasit, ministries are begging him to issue auditing reports as soon as possible. The ministers who are in charge believe that issuing FBSA reports while they are still in office is better than having corruption revealed after they have left. Abdulbasit: “They trust the professionalism of the FBSA and they are afraid that others will abuse irregularities in a political manner against them, once they have left their office.”

THE LARGEST ROBBERY IN THE WORLD

Iraq was a mess after the American-led invasion and the fall of Saddam Hussein's regime in 2003. Particularly in 2004-2005, when the Coalition Provisional Authority made way for the interim Transitional National Government, massive corruption, fraud and theft took place. Billions of dollars of money that the Americans poured into Iraq, from Iraqi funds held in the Development Fund for Iraq at the Federal Reserve Bank of New York, disappeared. The Ministries of Trade, Defence and Oil were particularly involved. The Iraqi Board of Supreme Audit was about the only official institution that tried to draw attention to the massive theft:

"Rumours about hundreds of millions of dollars of Ministry of Defence funds sloshing around and then vanishing began to surface in the days after the January 2005 elections. There were hints that something was afoot when Baghdad airport personnel intercepted a huge shipment of cash to Lebanese banks. The entire scandal would have probably been hushed up were it not for the investigations conducted by the Bureau of Supreme Audit (BSA). At great risk to its investigative staff, the BSA delved into the dark recesses of the Ministry of Defence's

procurement and produced a damning report that it released only to the incoming administration of Ibrahim al-Jaffari. The report, dated 16 May 2005, landed on the new prime minister's desk, where it was kept under close wraps. News of its findings, however, began to leak. On 15 July 2005, an intrepid Baghdad reporter [...] broke the news. The incoming Defence Minister [...] acknowledged the main points of the BSA investigative report. Within a few months, the Integrity Commission reckoned that it had sufficient evidence to ask for arrest warrants to be issued against a host of people involved in the scandal, including the former Minister of Defence, [...] his adviser, [...] the Secretary-General of the Ministry of Defence, [...] his deputy [...] and a number of other senior officials. The head of the Integrity Commission said, [...] regarding the alleged theft at the Ministry of Defence: "What the former Minister of Defence [...] and his ministry were responsible for is possibly the largest robbery in the world. [...] Our estimates begin at \$ 1.3 billion and go up to \$ 2.3 billion."

From: 'The occupation of Iraq. Winning the war, losing the peace' (2007), Ali A. Allawi

The FBSA is also obliged to issue an annual report on the state's financial statements. From 2004 until 2012 these statements were issued with a 'qualified opinion', meaning that irregularities had been found and that the FBSA could not give a 'clean audit statement'. The final statement of 2013 has yet to be issued (as of the end of 2014) as a result of the lack of security in the country. Due to the qualified opinion of the FBSA, parliament has not

approved any of the financial statements. When it issues a qualified opinion the FBSA clarifies the reasons for it and these qualifications contribute to referring cases of corruption to the courts.

Independent from the audits by the FBSA, each year the Ministry of Finance contracts one of the big four international audit firms to audit the oil revenues that furnish more than 90 per cent of government revenues. These multiple efforts to clean up corruption do not succeed in eradicating it, Abdulbasit concedes. “No matter how efficient those efforts are, the effectiveness is linked to the prevailing security and political situation and the rule of law in the country.”

Security

At the FBSA, the safety of the employees is greatly at risk. Abdulbasit always felt responsible for his staff and tried to protect them by constantly changing the composition of the teams that do the audits. After they had finished and written their report, they were frequently sent abroad until he personally had presented the report to the government.

“We suffer many sacrifices. My predecessor was killed (in 2004) and a few months ago (mid-2014) a deputy director of the FBSA was killed,” Abdulbasit relates. “Even with our security protection we are not always safe. Once I found a suspicious package under my car in the garage of our office building. It turned out to contain a bomb.”

The dangers have a serious impact on the working conditions. Employees take huge risks; about 20 to 25 per cent of the FBSA staff is constantly threatened, Abdulbasit estimates. As a precautionary measure, the names of the persons who discover corruption are never mentioned in the audit reports. “Our employees are like a person who holds a glass full of

1927	July 1979	1980-1988	1990-1991	2003	2004
Establishment of the Board of Supreme Audit, with the founding of Iraq as a nation state.	Saddam Hussein becomes President of Iraq. Saddam Hussein deprives the FBSA of the authority of administrative investigation and to refer corruption cases to the General Prosecutor.	War between Iran and Iraq.	Gulf War.	Fall of Saddam Hussein. The Coalition Provisional Authority, the American-led administration after the fall of Saddam in 2003, maintains constraints on the BSA .	Abdulbasit Turki Saeed takes office as president of the Board of Supreme Audit.

water and has to go through a mine field to deliver the glass to the other side,” he says. “We hope that the situation will improve, and that the current insecurity will soon become history.”

Due to the lack of security in the country there are also geographic restrictions. In various regions the FBSA cannot do its work at all. Despite these limitations, the FBSA has no problems recruiting new employees. When it announced 250 vacancies there were 3,500 applicants. Unemployment is high in Iraq, and salaries paid at FSBA are also higher than in other public institutions.

According to Abdulbasit, corruption is the main feeder of the sectarianism and violence in Iraq. Together they form what he calls the ‘triangle of evil.’ “Sectarianism, violence and corruption reinforce each other.” Yet, he stresses that corruption is beyond religion, sectarianism or regionalism. “Corrupted people are aligned between themselves, more than with their families, tribes or relatives. You find corrupted people in all religious groups, in all the parties, among all the nationalities.”

Government contracting and procurement are the main sources of corruption. That is why political parties fight for positions in the government, because these mean access to power. Politicians on all levels defend their private positions. ‘Political money’ is the decisive factor in parliamentary elections, according to Abdulbasit. In Iraq, political money means

“I am convinced that discovering an irregularity and not holding anyone responsible for it, is worse than not discovering the corruption at all.”

January 2005	March 2010	2011	2012 - 2014	October 2014
First parliamentary elections for 50 years.	Second parliamentary election.	New law gives BSA powers as a financially and administratively independent institution.	Abdulbasit Turki Saeed is also Governor of the Iraq Central Bank.	Abdulbasit Turki Saeed leaves office. Since October 2014 there has been no president of the FBSA, only a vice-president.

RECENT POLITICAL HISTORY OF IRAQ

Iraq has suffered a series of wars and sanctions over the last three decades. The country had significant security problems following the war between Iran and Iraq from 1980-88, the Gulf War in 1991 after the invasion of Kuwait by Saddam Hussein, international economic sanctions in 1991-2003, and the Iraq war culminating in the fall of Saddam Hussein's regime in 2003.

After the invasion of Iraq by the United States and its allies, the Coalition Provisional Authority (CPA) was established as a transitional government until June 2004. In January 2005, some 8 million people voted in the first nationwide multiparty elections for 50 years, electing a Transitional National Assembly. Amid escalating violence, parliament selected Jalal Talabani as president. Subsequently, voters approved a new constitution, which created an Islamic federal democracy. After the second parliamentary election in March 2010, Jalal Talabani was re-elected as president and he named Al-Maliki as prime minister.

After the withdrawal of American troops from Iraq in December 2011 the disarray in the Unity Government of Iraq became apparent. Political fault lines re-emerged between the Shiite and Sunni groups in the government and the Al-Iraqiya (Sunni) parliamentary bloc boycotted parliament and Cabinet sessions. The political conflict in turn triggered a wave of bombing attacks and an upsurge in violence. The central government in Baghdad is now dominated by the Shiite Arab majority (about 60

per cent of the total population) and many Sunni Arabs – who formed the backbone of Saddam Hussein's regime – feel marginalized. Iraq's Kurdish minority, on the other hand, enjoys a strong autonomy in the north of the country, with its own government and security forces. The Kurds are at odds with the central government over the division of oil profits and the final status of mixed Arab-Kurdish territories.

There is no consensus on what the post-Saddam Iraq should look like. Most Kurds advocate a federal state, joined by some Sunnis who want autonomy from the Shiite-led central government. Many Shiite politicians living in oil-rich provinces oppose the interference from Baghdad. Nationalists, both Sunni and Shiites, advocate a unified Iraq with a strong central government.

Al Qaeda-linked Sunni extremists – like the Islamic State in Iraq and Syria (ISIS) – continue with regular attacks against government targets and Shiites. ISIS has evolved from various extremist Sunni groups, all of whom fought against the US occupation of Iraq and against the government in Baghdad. ISIS fighters control areas in northern Syria, parts of Iraq and areas of Libya. Their goal is a caliphate between the Mediterranean Sea and the Tigris, ruled by a fundamentalist understanding of Islam. Although, as of early 2015, the central government in Baghdad is officially in control, the country remains in a state of civil war and partition of the country is a possible outcome.

contributions that are provided by corrupt or suspicious businessmen or by regional or foreign entities in order to influence the political process to their benefit.

By law, the president of the FBSA must be a person who is not affiliated to any political party. The senior staff of FBSA is selected from within the institution and have at least ten years of work experience. Half of the employees are women. Political parties are not allowed to appoint confidantes on the staff to prevent the FBSA from being manipulated. “We try to avoid that our reports are used by others in an improper manner. We have to exist in front of the public, and at the same time we don’t want to be a tool for political intrigues. It is a very delicate situation.” For this reason, the FBSA also deals prudently with the media. Nevertheless, last year (2013) the annual report of the FSBA was serialized in one of the main newspapers under the headline ‘The story of corruption in Iraq’.

Governor of the Central Bank

In 2012, a different scandal was revealed. It was revealed that huge amounts of capital had left the country illegally through the Central Bank. The Governor of the Central Bank was dismissed. Though it is highly undesirable for a president of a SAI to combine his function with another public function, Abdulbasit was temporarily appointed to clean things up.

It soon became clear that capital flight was not the only problem at the Central Bank. It also lacked a proper system of supervision and control of the banking sector. Abdulbasit ordered several banks to be closed and declared others to be bankrupt. He also forced banks to increase their capital. “We tackled the capital flight and imposed supervision. As a result, capital flight has largely finished,” he says. As proof of this, Abdulbasit points out that the exchange rate has stabilized and that the foreign reserves have increased substantially.

For two years Abdulbasit combined the jobs of president of the Supreme Audit Institution and Governor of the Central Bank. He had to take strategic decisions at both institutions simultaneously. Frequently, he slept only three to four hours a night. It was undesirable but inevitable, he recognizes. “I would persevere up to the end, because what was going on at the Central Bank was like a snowball going down, getting bigger and bigger. We were dealing with the biggest mafia in Iraq,” he says. The banking system was used as the basis of corruption in Iraq. Banks financed election campaigns, giving political parties and politicians access to the financial markets.

The Central Bank simply did not supervise the banking sector. The supervision is more effective now, Abdulbasit reassures. The Directorate of Anti-Money Laundering at the Central Bank has been strengthened. Suspects of money laundering have been put on trial and bankers have been convicted, some of whom are in prison.

Once the situation at the Central Bank was normalized Abdulbasit requested to be dismissed as Governor. The prime minister did not respond and he wrote a letter to the Council of Ministers to ask them to release him from this job. This finally happened in August 2014.

Success in times of failure

During his time at the FBSA and as acting Governor at the Iraq Central Bank, Abdulbasit did what he was convinced that should happen, though he often wished that he could have reached further. He likes to think of creating a better future, even in the worst circumstances in his country. “I know I live in a dangerous situation and that circumstances are adverse. Everyone was afraid for my life when I took this job,” he recalls. “And I made others afraid of me by working in a proper way, with no personal agenda and no personal calculations.”

In October 2014, Abdulbasit retired as the president of the FBSA. He does not consider himself a pensioner, though. There are projects that he had put aside for years and can pick up again. He thinks about transforming his experiences of the past ten years into a book. He outlines what it will be about: how to build up a government institution while everything around it is falling apart.

Contrary to many Iraqi politicians, businessmen and others who fled the country, Abdulbasit always refused to live abroad. “Iraq is never outside me. I have always remained optimistic because I know the real capacities of Iraq. But maybe I am a dreamer.” All that he aims for, he says, is creating a better future. “I want to build a country for my grandchildren without the problems we currently have. Life is too short to accomplish everything you want to, but you have to accomplish something.”

Abbreviations

ACA Austrian Court of Audit	EITI Extractive Industries Transparency Index	IT Information Technology
AFROSAI African Organization of Supreme Audit Institutions	ESM European Stability Mechanism	NAOE National Audit Office of Estonia
AG Auditor General	EU European Union	NCA Netherlands Court of Audit
AGSA Auditor General South Africa (SAI of South Africa)	EUROSAI European Organization of Supreme Audit Institutions	NASA National Aeronautics and Space Administration
ARABOSAI Arab Organization of Supreme Audit Institutions	FBSA Federal Board of Supreme Audit (SAI of Iraq)	OAG Office of the Auditor General (SAI of Uganda)
ARRA American Recovery and Reinvestment Act	FEMA Federal Emergency Management Agency	OECD Organization for Economic Cooperation and Development
ASOSAI Asian Organization of Supreme Audit Institutions	GAO Government Accountability Office (SAI of the United States of America)	OLACEFS Organization of Latin American and Caribbean Supreme Audit Institutions
CAROSAI Caribbean Organization of Supreme Audit Institutions	GIS Geographic Information System	OPM Office of the Prime Minister
CdC Cour des Comptes (SAI of Tunisia)	GWG Global Working Group	PASAI Pacific Association of Supreme Audit Institutions
CEO Chief Executive Officer	IFAC International Federation of Accountants	PIID Police Intelligence and Investigative Department
CFC Commission of the Fight against Corruption	INTOSAI International Organization of Supreme Audit Institutions	SAI(s) Supreme Audit Institution(s)
CoA Commission on Audit (SAI of the Philippines)	INTOSAI GOV INTOSAI Guidance for Good Governance	TD Tunisian Dinar
CSOs Civil Society Organizations	IntoSAINT Into Self-Assessment Integrity	UN United Nations
ECA European Court of Auditors	IPU Inter-Parliamentary Union	US United States of America
ECB European Central Bank	ISSAIs International Standards of Supreme Audit Institutions	WGEA Working Group on Environmental Auditing
EFSE European Financial Stability Fund		WGEI Working Group on Extractive Industries

Notes

1. Jacob Soll: *The reckoning. Financial accountability and the making and breaking of nations*. London (2014).
2. Saskia J. Stuiveling: 'Open data. A revolution in accountability'. Speech at the opening session of EUROSAL. The Hague, 2014.
3. Ibid.
4. Maria Gustavson and Bo Rothstein: 'Can auditing generate trust? The organization of auditing and the quality of government'. In: Marta Reuter, Filip Wijkström, Bengt Kristensson Ugglå (eds.), *Trust and organizations. Confidence across borders*. New York (2013).
5. Ibid.
6. Lidwien Dobber: '*Ik heb niet de indruk dat dit een bange Rekenkamer is*'. Trouw, 17 January 2014.
7. Stuiveling: 'Open data'. op.cit.
8. Map Obendorf and Max van Wezel: '*Er is een totale kanteling nodig*'. Vrij Nederland, 13 September 2014.
9. United Nations: 'Sixty-ninth session General Assembly, Second Committee, Agenda item 21: Globalization and interdependence' A/C.2/69/L.25/Rev.1.
10. Kenneth M. Dye and Rick Staphenurst: Pillars of Integrity: The Importance of Supreme Audit Institutions in Curbing Corruption; Economic Development Institute of The World Bank. Washington 1998.
11. OECD: 'Good practices in supporting Supreme Audit Institutions'. Paris (2011).
12. Ibid.

Colofon

Written by Roel Janssen, Commissioned by the Netherlands Court of Audit

Design: WAT ontwerpers

Photography:

Lange Voorhout - Dingena Mol/Hollandse Hoogte

Roel Janssen - Sander Nieuwenhuys

Faiza Kefi - TUNISIE PLUS Magazine

Josef Moser - Katharina Schiff

Terence Nombembe - Muntu Vilakazi/City Press

Heidi Mendoza - Edwin Tuyay, OP Communications, Inc.

Alar Karis - Eestifoto Stúdio

David Walker - Len Irish

John Muwanga - Jjumba Martin photography

Abdulbasit Turki Saeed - Elie Harb.

Amsterdam University Press English-language titles are distributed in the US and Canada by the University of Chicago Press.

ISBN 978 94 6298 091 4

E-ISBN 978 90 4853 082 3 (pdf)

DOI 10.5117/9789462980914

NUR 786

© NCA, Algemene Rekenkamer, The Hague 2015

All rights reserved. Without limiting the rights under copyright reserved above, no part of this book may be reproduced, stored in or introduced into a retrieval system, or transmitted, in any form or by any means (electronic, mechanical, photocopying, recording or otherwise) without the written permission of both the copyright owner and the author of the book.

Intosai Regions



CAROSAI
Caribbean Organization of
Supreme Audit Institutions

OLACEFS
Organization of Latin American and
Caribbean Supreme Audit Institutions

ARABOSAI
Arab Organization of
Supreme Audit Institutions

Not all countries are members of a Regional Working Group and some countries have multiple memberships. See www.intosai.org.

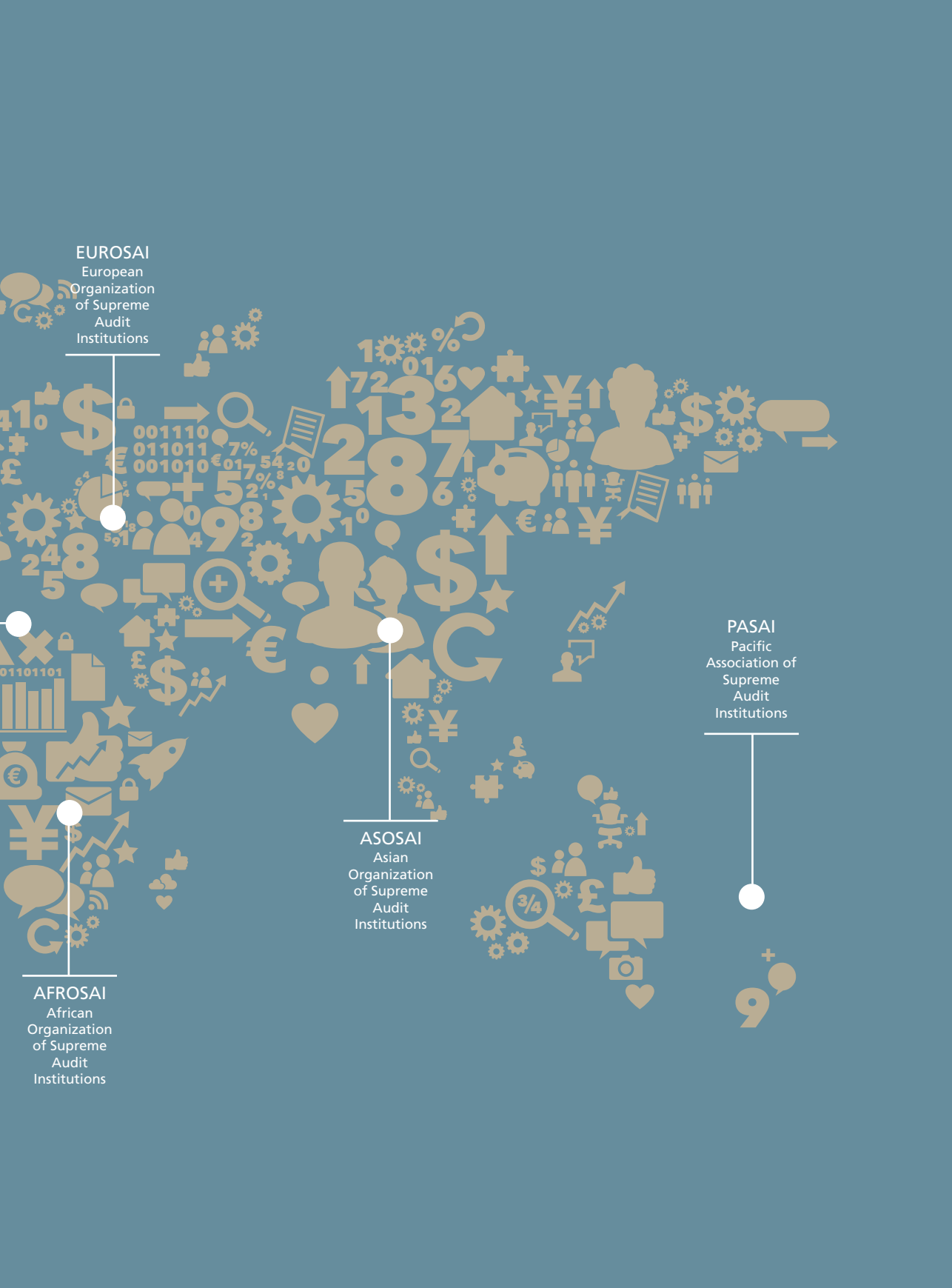
EUROSAI

European
Organization
of Supreme
Audit
Institutions

ASOSAI
Asian
Organization
of Supreme
Audit
Institutions

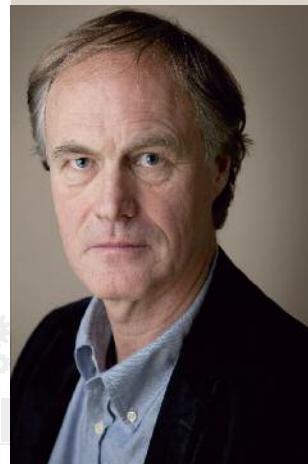
PASAI
Pacific
Association of
Supreme
Audit
Institutions

AFROSAI
African
Organization
of Supreme
Audit
Institutions



Accountability, good government and public trust are intricately linked. Supreme Audit Institutions fulfil an exceptional role in the public domain, checking if governments spend their money properly. They are like ‘watchdogs’ for citizens and parliaments with the purpose of auditing public expenditure and examining the effectiveness of policies. They aim to strengthen the trustworthiness of government institutions, all the more so in fragile democracies. They do so, for instance, in striving to disclose cases of corruption, not just in the highest echelons of government, but also in everyday petty bribery. And they can be found counting houses, roads and water taps, to see if government’s promises are being kept.

On the occasion of the retirement of Saskia J. Stuiveling as the president of the Netherlands Court of Audit, eight (former) heads of audit institutions talk candidly about their work and innovations in the area of public auditing, about how the financial crisis affected their profession, about the advent of open data and about the need for new skills to audit the oil industry. Each of them – Faiza Kefi (Tunisia), Josef Moser (Austria), Terence Nombembe (South Africa), Heidi Mendoza (Philippines), Alar Karis (Estonia), David Walker (USA), John Muwanga (Uganda) and Abdulbasit Turki Saeed (Iraq) – has made a difference in his or her country, often under difficult, adverse and sometimes outright dangerous circumstances.



ROEL JANSSEN

Roel Janssen is an economic and financial journalist. He has worked for over 30 years for *NRC Handelsblad*, a Dutch daily newspaper. He has also written several nonfiction books on economics and a few financial thrillers.
www.roeljanssen.nl

NCA



Algemene Rekenkamer

ISBN 9789462980914



AUP.nl