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Keynote Address to
16th Pacific Association of Supreme Audit Institutions Congress
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Guam
by
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Good day. It is an honor to address all of you at the 16th Congress of the Pacific Association of Supreme Audit Institutions (PASAI).

I would like to thank PASAI Secretary General and Auditor General of New Zealand, Lyn Provost, for inviting me to speak today. I appreciate and welcome this opportunity to explore the issues currently confronting national audit offices around the world.

I know that PASAI realizes the importance of the International Organization of Supreme Audit Institutions (INTOSAI) to its members and to the future of government auditing. As the head of the U.S. Government Accountability Office, I have learned a great deal from our many INTOSAI experiences, including our involvement in developing its first two strategic plans. These

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lessons underscore INTOSAI's strengths in consultation, consensus and communication.

An autonomous, independent and non-political organization, INTOSAI provides a venue where national audit offices can work together and share experiences. These experiences might range from informed strategies based on lessons learned to best practices built from success stories.

INTOSAI also provides a place where national audit offices can share their challenges. While each audit institution needs to address country-specific challenges, it is also true that many of the problems we currently face are global in nature, requiring international cooperation and international solutions. I want to talk today about three topics that fall into this category.

First, one area that requires our mutual attention is developing and implementing international auditing standards common to all countries. These standards need to be implemented worldwide.

In 2010, at the 20th International Congress of Supreme Audit Institutions (INCOSAI) in Johannesburg, South Africa, INTOSAI issued the first comprehensive set of international standards for supreme audit institutions. These standards, or ISSAIs, aim to safeguard independent and effective

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auditing. They also support INTOSAI members in the development of their own professional approaches on the basis of their specific country mandates.

As you are aware, the ISSAI framework is comprised of four levels:

- Level 1, the Founding Principles of INTOSAI;
- Level 2, the Prerequisites for the Proper Functioning and Conduct of SAIs;
- Level 3, the Fundamental Auditing Principles, which contain pronouncements for effective independent public sector audits; and, are applicable to all SAIs,
- And Level 4, the Auditing Guidelines, which make available to SAIs specific operational guidance to meet the objectives of the Fundamental Principles. I note however, that the level 4 guidelines are not applicable in every audit environment, which I will discuss at the conclusion of my talk.

Recently, INTOSAI has proposed revisions to its Fundamental Auditing Principles, and has also organized the principles in a manner that will ease their application. The revised principles, along with several newly

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developed ISSAIs, will be presented this October at the 21st INCOSAI in Beijing.

In order to foster the implementation and application of INTOSAI standards, the ISSAI Implementation Initiative, or 3i Programme, began, with funding from the World Bank, out of the INTOSAI-Donor Cooperation Initiative.

The first phase of the 3i Programme, which started in 2012 and will continue until 2014, covers level 2 ISSAIs and level 4 ISSAIs in financial, performance and compliance audit. Participation across INTOSAI, and from all regional working groups, including PASAI, is essential to the program's success.

Next, I would like to say a little more about INTOSAI-Donor Cooperation.

Recognizing its priority to assist SAIs in effectively implementing the ISSAI framework, INTOSAI strives to continually address the need for continued progress in capacity building. In recent years, INTOSAI has worked with the Donor Community to develop a strategic approach to strengthen and maintain the capacity of SAIs.

As many of you know, the INTOSAI-Donor Cooperation began in 2009 when fifteen donor organizations and countries signed a Memorandum of

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Understanding, or MoU, to augment and strengthen support to the SAI community in developing countries. Since then, five additional donors have signed on, including the Asian Development Bank. More donors are expected to join.

Among the Cooperation's notable accomplishments to date are the following:

- First, the SAI Capacity Development Database of projects targeting SAIs and INTOSAI bodies has been established and currently contains between 250 and 300 active projects. Among these projects are the cooperative audit efforts in the PASAI region.
- Second, the first-ever global stocktaking of SAI capacity development needs, carried out in 2010, had a response rate from over 90 percent of INTOSAI's over 190 members. This study identified a clear need to improve coordination and to scale up the level of support to SAIs in developing countries.
- Third, in 2011 and 2012, Global Calls for Proposals were carried out to identify demand-led SAI capacity development initiatives.

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Several proposals have since been taken on by donors and SAI support providers.

- And fourth, the SAI Performance Measurement Framework was developed. In conjunction with the Working Group on the Value and Benefits of SAIs, a new version has recently been approved for continued piloting. I know that you will be hearing a lot more about the Performance Measurement Framework from the INTOSAI Donor Secretariat later on during this Congress.

I am the Vice Chair for INTOSAI of the INTOSAI-Donor Cooperation's Steering Committee. Our 6th meeting will be held in October before the 2013 INCOSAI. In addition to updates on some of the activities I just described, there are several key items on the agenda.

One of these is a new Global Call for Proposals that is expected to be launched. Information on the upcoming launch is already available at IDI's website on the INTOSAI-Donor Cooperation. Also, the INTOSAI-Donor Secretariat is facilitating workshops at the regional level for developing proposals. I understand one of these will occur in conjunction with the PASAI Congress.

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Other items on the agenda for the 6th Steering Committee Meeting include (1) Extractive Industries Audits; (2) exploring results of SAI reforms; (3) citizen engagement with SAIs; and (4) the SAI Capacity Development Fund, or SAI CDF.

This last item, the SAI CDF, is a multi-donor trust fund to support developing SAIs that are not able to access bilateral support. The SAI CDF would be helpful to the continued success of the INTOSAI Donor Cooperation, and the Steering Committee leadership is committed to achieving this objective.

Finally, I would like to provide a more specific example of how we are cooperating across INTOSAI to address a current challenge, one that is confronting almost all of us: the aftereffects of the global financial crisis.

In 2012 the INTOSAI Governing Board approved the establishment of the Working Group on Financial Modernization and Regulatory Reform. In doing so, the Board recognized that the INTOSAI community must continue to build its expertise and capabilities in order to meet the challenges associated with overseeing today's global financial system.

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I am the Chairman of this Working Group, which is a transformation of the Task Force on the Global Financial Crisis. The new Financial Modernization and Reform Working Group has 25 members, and has also welcomed the participation of interested parties. The Working Group aims to assist SAIs in three ways: (1) by developing tools and knowledge-sharing opportunities for evaluating national reforms, (2) establishing mechanisms for sharing information on progress of reforms between INTOSAI and international organizations, and (3) systematically tracking information on reforms at national and international levels.

Over the past year, the Working Group has made significant progress: It has developed and adopted its Terms of Reference; it has organized its members into subgroups to address audit tools, networking and reform efforts; and it has been developing work plans to accomplish its objectives.

The Working Group's primary focus in the coming year will be on continuing to implement the work plans developed for our three key objectives, and in meeting our proposed deliverables. For example, based on information collected by its subgroups, the Working Group intends to create an annual report that summarizes what is known about financial reforms, including their nature, scope and status.

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Before concluding my speech today, I would like to touch on two additional and important topics: First, INTOSAI's efforts to update its strategic plan; and second, the importance of regional cooperation to that process.

INTOSAI's strategic plan is based on its core values, which are the foundation for INTOSAI's mission and goals. These values are independence, integrity, professionalism, credibility, inclusiveness, cooperation and innovation.

There are six strategic priorities in INTOSAI's 2011 – 2016 strategic plan. These are to (1) help ensure the independence of SAIs; (2) implement the ISSAI framework; (3) strengthen capacity building; (4) demonstrate the value and benefits of SAIs; (5) further the fight against corruption; and (6) enhance INTOSAI communications.

The Strategic Plan gives direction and defines INTOSAI's future path. And it is flexible enough to ensure that we remain an organization that can effectively respond to new situations.

As the Chairman of the reestablished Task Force on Strategic Planning that was formed to work on the plan for 2017 - 2022, I and my task force colleagues are committed to broad collaboration across INTOSAI. We

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welcome input to identify how the next strategic plan can best serve the needs of our membership, and how it can best illuminate our future path and development.

I should emphasize that while the Task Force will consult with all elements of INTOSAI, it will particularly do so with the regional working groups. The secretaries general of each regional working group are also Task Force members. A vital aspect of the strategic planning process is to make sure that all member SAIs have the chance to provide input, and to review and comment on the plan as it is developing. I am strongly committed to a process of inclusiveness and the consideration of all points of view.

Finally, because there are many SAIs in the PASAI region that must follow U.S. Generally Accepted Government Auditing Standards, I was asked to comment today on the relationship between these standards and the ISSAIs.

Both ISSAI and GAO's Yellow Book standards share a common goal: To provide SAIS with a reasonable assurance that the work they are conducting is professional, independent, and objectively designed and performed. That work must be supported by sufficient, appropriate

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evidence, and should be embodied in fair and balanced products that provide sound recommendations to improve government operations.

As you may recall, I outlined the various levels of ISSAIs in my opening comments. The Yellow Book standards are consistent with the ISSAI level 2 and 3 standards. As I mentioned earlier, the level 4 standards are audit guidelines designed to achieve the goals of the level 3 Principles; and may not be applicable to every SAI. In fact, the ISSAIs to be endorsed at the upcoming INCOSAI allow SAIs to develop their own standard-setting documents to comply with the Fundamental Principles. At GAO we have chosen to meet the level 3 requirements through compliance with the Yellow Book, augmented by internal guidance and policy.

In closing, I would like to express my best wishes to all of you at PASAI as you continue your efforts to improve public sector auditing. I appreciate the active role you are playing in regional capacity building efforts.

Supreme audit institutions today are positioned as never before to make a difference, not just for their own countries but for the world as a whole. We

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recognize the difficulties that are inherent in accomplishing high-quality audit work with competence, integrity, objectivity and independence. This is also a time, however, that presents us with unprecedented opportunities to help our governments plan ahead and address issues on a broader scale.

Domestically, SAIs can help improve public services and help their leaders identify key trends and emerging challenges. Internationally, working with their fellow SAIs, they can help solve problems that confront us all.

I appreciate all of you spending this time with me to consider the future and the potential of our shared profession. And I am sure this will be a successful conference, in which sharing your mutual experiences will benefit you all.

Thank you and best wishes.