

INTOSAI-Donor Cooperation

Working together to strengthen SAIs in developing countries

8th Quarterly Update
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USAID Support the Middle East and North Africa

by Hady Amr and Clinton White, USAID

On behalf of USAID, we are delighted to announce the launching of a new partnership with the IDI to support the implementation of International Standards of Supreme Audit Institutions (ISSAIs) around the Middle East and North Africa (MENA).

At the same time, USAID will build the capacity of the regional group, ARABOSAI, and its member SAIs. In a sense, these pioneering agreements are major milestones in USAID's newly increased focus on strengthening Host Country Systems – a major initiative introduced in 2010. However, our formal relationship with INTOSAI dates back to the INTOSAI-Donor MoU signed in 2009.

At its heart, the Arab awakening is fundamentally related to governance, and specifically the degree of transparency and accountability that governments share with all stakeholders. The recent Open Budget Index revealed that most countries in the MENA region rate poorly in budget transparency, participation, and oversight. There is urgent need to

address high unemployment, low living standards, and poor governance. In addition, greater public awareness and oversight are essential in a thriving society, in which public servants are both responsible for prudent financial management of public resources and accountable to the public for their behavior. *(Cont. page 2)*

Financial Management for the Middle East and North Africa

The recently launched Connecting Voices (CV) MENA initiative is a regional partnership that promotes governance and improved financial management in the public and private sectors in MENA. *(Cont. page 3)*

Report on SAIs Audit of Extractive Industries

A draft mapping report of SAI involvement in Extractive Industries highlights the demand for sharing knowledge and experiences in the audit of Extractive Industries and substantial need for capacity development support. The mapping report is based on evidence collected through a questionnaire which was sent through the regional and sub-regional secretariats to 25 SAIs. So far, 17 SAIs have responded to the questionnaire. The requests for increased knowledge sharing and capacity development are not limited to a certain audit type, but stretch across all types of audit and includes the need for better understanding of what a well governed extractives sector entails.

The draft report indicates that there is concrete need for a more systematized approach by SAIs, INTOSAI and donors to strengthen SAIs' role in the governance of natural resources, through:

- A capacity development program tailored to SAIs' needs
- A community of practice for SAIs and possibly other stakeholders to promote sharing experiences

- A wider engagement by INTOSAI to engage in international discussions and underline the role of SAIs, which are currently underrepresented in discussions and initiatives on extractive industries;
- An institutional anchor within INTOSAI to take forward these, and possibly other, approaches.

The draft report has been discussed with the Leadership of the INTOSAI Donor Steering Committee and is on the agenda for the 6th Steering Committee meeting in Beijing, 18-19 October. Thereafter a finalized version will be published. For more information, contact

INTOSAI.donor.secretariat@idi.no.



Connecting Voices:

Opening of the 2013 PFM Exchange

USAID Support (Cont. page 1)

As the umbrella organization for the public sector audit community, INTOSAI provides an institutionalized framework for SAIs to promote the development and transfer of knowledge, improve public auditing worldwide and enhance the capacity, standing and influence of member SAIs in their respective countries. We believe that this agenda is critical to promoting broad-based and sustainable development as well as strengthened reforms and policy changes. We applaud INTOSAI's leadership in this important area.

Our new partnership with ARABOSAI will help place a capacity building advisor in the ARABOSAI General Secretariat, run a Train-the-Trainer program to facilitate SAI capacity development in the region, and support the ARABOSAI Secretariat. We believe that, as a result of our engagement, ARABOSAI and IDI will continue to assist SAIs become effective audit bodies that serve an important watchdog function, reporting transparently to society on the utilization of public funds, helping strengthen government performance and service delivery, and reducing opportunities for corruption. This will significantly enhance the quality, uniformity, professionalism and credibility of the work of SAIs in the region.

The work of INTOSAI, ARABOSAI and SAIs is critical to the regional development agenda. It is also directly in line with core principles of *USAID Forward*, a sweeping initiative to reform the way our Agency operates. As part of the *Forward* process, USAID set out to employ the central pillars of aid effectiveness—country ownership, systems strengthening and sustainability—derived from global meetings in Paris, Accra and Busan. Putting these tenets into practice required us to take a hard look at our own systems and our capacity to work with a broader community of diverse partners while holding them accountable for delivering results. Central to *USAID Forward* is an increased reliance on host-country systems. In order to achieve long-term, sustainable development, we have to not only help our partners direct their own development by investing directly in government systems, but also, for the first time ever, to support organizations such as INTOSAI and ARABOSAI and their mission of promoting transparent, accountable governance.

US-President Obama has signaled his commitment to these kinds of effort, recently stating: “We will work together to ensure the public trust and establish a system of transparency, public participation, and collaboration. Openness will strengthen our democracy and promote efficiency and effectiveness in government.” USAID looks forward to collaborating with INTOSAI and ARABOSAI in advancing the regional government audit agenda through this exciting new partnership.

How do SAIs engage external stakeholders to enhance good governance?

There is growing attention, in both international standards and good practices, to the need for SAIs to better engage with their external stakeholders. However, a number of challenges remain in understanding how SAIs can ensure greater citizen engagement; the main opportunities and challenges in doing so; and the different approaches to evaluating impact. There is limited cross-country information about how SAIs engage stakeholders as a basis for enhancing good governance. Where information does exist, it tends to be qualitative and based on case studies and anecdotal evidence rather than a rigorous analytical framework and cross-country data sets.

In response to this need, the Organisation for Economic Co-operation and Development (OECD) along with the SAIs of Brazil, Chile and South Africa, and the IDI, wish to conduct a survey to understand different SAI approaches for engaging stakeholders. The survey is intended to support a broader discussion on the role of SAIs in strengthening good governance and state-society relations and is one of the proposals under the Effective Institutions Platform (www.effective-institutions.org). It will also contribute to evaluating broader international commitments on development co-operation (such as the Global Partnership for Effective Development Co-operation endorsed in Busan in 2011). The report will be shared with INTOSAI bodies and the INTOSAI-Donor Cooperation.

SAIs interested in receiving more information or in being involved in this project are invited to find out more by contacting Ms. Sara Fyson (sara.fyson@oecd.org) and Mr. James Sheppard (james.sheppard@oecd.org).

Financial Management for the People of the Middle East and North Africa (Cont. page 1)



Connecting Voices is co-funded by the World Bank and the MENA Multi-Donor Trust Fund. The aim of the initiative is to support the demands of citizens for better governance, a voice in public affairs, and social and economic inclusion. CV MENA will support capacity building in financial management, including SAIs, and facilitate knowledge sharing across the region through the following four components.

The Exchanges are major annual conferences on Public Financial Management (PFM) and Corporate Financial Reporting (CFR). The first PFM Exchange was held in Abu Dhabi on May 13-15, 2013. It brought together 135 participants from 9 countries in the region, representing Ministries of Finance, SAIs, academia, civil society and media. The event facilitated discussions on how to promote accountability, transparency and inclusion in the region.

The first CFR Exchange is titled *Strengthening Accountancy as a Foundation for MSME Sector Development and Job Creation* and took place in Jordan on 18-20 June, 2013.

Boot Camp is a practical concept that involves gathering decision makers and experts to address a particular issue through a focused discussion, with the aim of providing solutions and a work program to implement them. The first Boot Camps were held in Lebanon (for public sector audit, inspection and control agencies) and in Egypt (good practices in SAIs) in April 2013.

Solutions Labs will connect participants across the MENA region through innovative means to find solutions on topics related to SAIs, internal audit and CFR, by learning from the experiences of other countries.

MAAREFAH (“knowledge” in Arabic) is an online community of practice for ongoing dialogue between peers and experts. It was launched in 2011 as response to ongoing demand for change, accountability, transparency and inclusiveness. It allows for interaction in Arabic, French and English.

www.maarefah.net

For more information on Connecting Voices, please visit www.cvmena.org

SAI PMF training courses continue

In May and June, SAI PMF trainings were conducted in English in Miami and Tunis. Training in Spanish will be held in Lima, Peru, 8-12 July.

For more information on upcoming training events, please see the last page or visit www.idi.no



SAI PMF training participants in Tunis

SAI PMF Pilot Assessment in Slovakia

A pilot of SAI Performance Measurement Framework (PMF) version 2.1 was carried out between April and May 2013 in Slovakia. The Slovak SAI decided to use the SAI PMF for improving its internal performance measurement procedures. Because of this purpose, it was carried out as a self assessment by the SAI.

The Slovak pilot showed that SAI PMF can help identify not only the SAI strengths and weaknesses, but also the underlying causes of the SAI’s strong and weak performance. The conclusions from the SAI Performance Report resulted in an Action Plan, which consists of eighteen capacity building measures. The Plan will be implemented by March 2014.

The SAI intends to use the results in its strategic and annual planning, quality assurance, human resources development, ISSAI implementation and planning of communication activities. The management of the SAI believes that implementation of the Action Plan will improve SAI performance, increase its public visibility and present the value and benefits of the SAI to society.

The INTOSAI-Donor Secretariat provided assistance to the Slovak self assessment team.



Cameroon, Chad, Nigeria and Niger joining forces in an environmental audit on Lake Chad

When in 1964 Chad, Cameroon, Nigeria and Niger signed the Convention of Fort Lamy to cooperate on the utilization of the resources of the Lake Chad Basin, the lake covered a surface of 25000 km². Subsequent droughts and ineffective water management reduced its size to a tenth of this area. With a population in the basin of about 30 million people scattered over four countries, the dry-out of Lake Chad threatens a widely rural and thus vulnerable population.



Preparations are ongoing for the environmental audit of Lake Chad. Photo: GIZ.

Supreme Audit Institution Performance Measurement Framework (SAI PMF) Endorsed for Piloting!

At the 6th Meeting of the Value and Benefits of SAIs in Lima, 3-5th July the SAI PMF was endorsed for a second round of piloting, starting in July 2013. It will be published on the IDI website in English during July 2013, and translated into other languages. The SAI PMF Pilot Version incorporates the recently finalized Endorsement Versions of the International Standards for Supreme Audit Institutions, ISSAI 100, 200, 300 and 400 and the ISSAI X "The Value and Benefits of SAIs – making a difference to the lives of citizens." In this second phase of piloting, the SAI PMF will be applied to different SAI models, sizes and administrative heritages in order to ensure it is an applicable global tool. After the second phase of piloting and consultation until March 2015, the SAI PMF will be further improved based in the experience and consultation and presented for approval at INCOSAI 2016. SAIs interested in piloting, can contact intosai.donor.secretariat@idi.no.

Against the backdrop of a pressing need to act, the second annual meeting of the INTOSAI Working Group on Environmental Audit (WGEA) in Yaoundé in 2012 concluded that the four countries would conduct a joint environmental audit on the desertification of the Lake caused by human activities. To that effect a Memorandum of Understanding was signed in November 2012.

The aim of the audit is to verify whether the four countries have effectively implemented control, monitoring and enforcement practices and systems to achieve a sustainable use of the water resources. A joint report is to be prepared by the four audit teams consisting of four reports looking at the management at national level, and a joint chapter on the regional level focusing on the Lake Chad Basin Commission. The report will be presented to the national Parliaments and Governments, as well as to the Economic and Monetary Community of Central Africa (CEMAC) Commission and Parliament, the African Union and the Pan-African Parliament.

Being the first environmental audit for the four SAIs, a partnership with the SAIs of Tanzania, Kenya and Morocco was initiated. From these countries, experienced auditors with previous practice in the area of environmental audit will provide support throughout the different stages of the audit. In addition, technical and financial cooperation is provided by the German International Cooperation (GIZ) and by the Canadian Comprehensive Auditing Foundation (CCAF).



Updating the SAI Capacity Development Database

In preparation of the launch of the second Global Call for Proposals and the SC Meeting of the INTOSAI-Donor Cooperation, providers of support are encouraged to check and update their project entries on the SAI Capacity Development Database by 10 September 2013 and add all new projects. For any questions please contact the Secretariat.

Capacity Development of SAI Bhutan funded by Austrian Development Agency

The Royal Audit Authority (RAA), Supreme Audit Institution of Bhutan, participated in the first Global Call for Proposals in 2011. As a result, a capacity development project with the total fund of €232,620 has been launched by the Austrian Development Agency (ADA). The project document was signed between ADA, represented by the Austrian Coordination Office for Development Cooperation, and the Royal Government of Bhutan, represented by the Gross National Happiness Commission. The project period runs from December 2012 to December 2015 and includes the following:

1. Develop and print 22 audit manuals
2. Develop and print 2 policy documents: Audit Outsourcing policy and the Continuing Professional Development Policy (CPDP)
3. Review of audit manuals and policies by SAI India
4. Training of Trainers
5. In-House training on the new Audit Manuals
6. Pilot test audit on risk-based financial audit
7. Independent audit on implementation of this project, and project evaluation.

Immediately upon signing the project document, 24 core groups and an internal review group mainly consisting of internal experts were formed. The core groups consist of two to three members while the latter has six members and is chaired by the Deputy Auditor General. Specific audit manuals and policy documents are reviewed by the review group who then provides feedback as to how to move forward. This group focuses on the content of the documents while editorial groups will review language and design of the documents.

Two workshops have been conducted so far. The first workshop was held in December 2012 to discuss and adopt the outline and structure of the audit manuals and policy documents. A second workshop was held in May 2013 to discuss the first draft of these manuals and policy documents. The workshop was attended by more than 50 participants, mostly core group members and review group. Presentations of the documents were made by the

core groups and updates on the status of deliberations on specific issues, along with suggestions on way forward, were shared. At the end of the workshop the first draft of around 14 audit manuals and two policy documents were finalized and submitted to the Internal Review Team for necessary review and comment and the outlines of the remaining manuals were completed. For these, a first draft could not yet be finalized due to overlapping issues reported and changes in scope of manuals as recommended by the review group. Format of the documents and timeline for the tasks was agreed on the last day of the workshop.

After finalizing the drafts, RAA will hold discussions with its stakeholders, send the documents for further review to peer SAIs and conduct pilot tests on its applications.

Revision of the PEFA Framework



A first draft of a revised external audit indicator (PI-26) has been submitted to the PEFA Steering Committee. The draft proposes a new dimension on SAI Independence. It also introduces a link to the International Standards of Auditing (ISSAIs), measuring coverage and standards used in financial, performance & compliance auditing.

Forthcoming Events

Below is a selection of key events which may be of particular interest to stakeholders. For the complete INTOSAI calendar, see www.intosai.org.

- July 8-12:** SAI PMF training (Spanish), Lima, Peru
- July 31-August 1:** CRECER conference, Cartagena, Colombia
- September 9-13:** SAI PMF training, Warsaw, Poland
- September 10-13:** 16th PASAI Congress, Guam
- September 23-27:** SAI PMF training, New Delhi, India
- September 24-26:** CREFIAF Seminar for writing funding applications, Yaoundé, Cameroon
- October 18-19:** 6th INTOSAI-Donor Steering Committee Meeting, Beijing, China
- October 21-26:** XXI INTOSAI Congress, Beijing, China
- November 8-9:** AISCCUF annual meeting, Rabat, Morocco

INTOSAI-Donor Steering Committee Leadership

Chair (INTOSAI): *Osama Faqeeh, General Auditing Bureau, Saudi Arabia*
 Chair (Donors): *Jennifer Thomson, World Bank*
 Vice-Chair (INTOSAI): *Gene Dodaro, U.S. Government Accountability Office*
 Vice-Chair (Donors): *Stephen Sharples, Department for International Development, UK*

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