

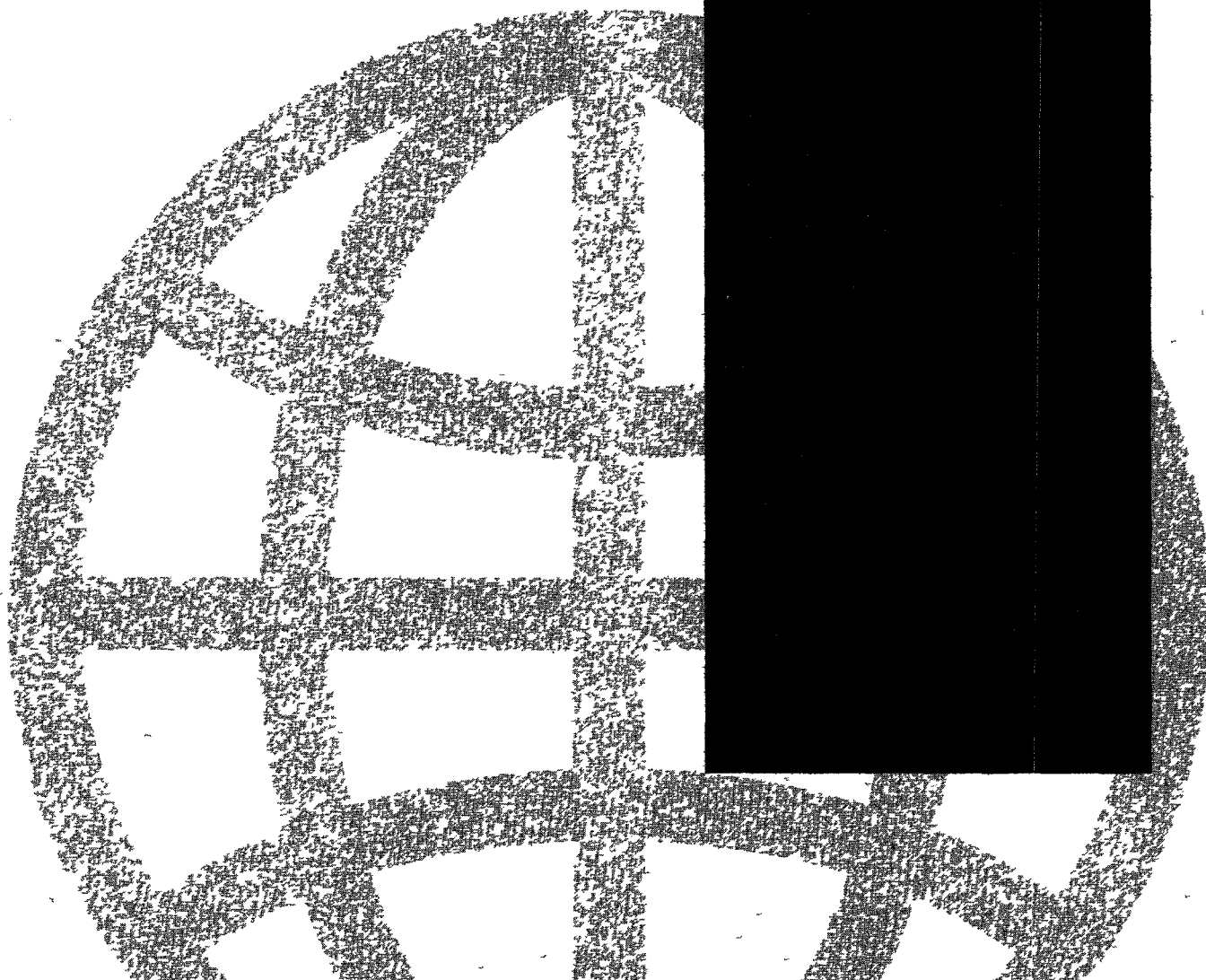
19684
1998

**Pillars of Integrity: The
Importance of Supreme
Audit Institutions in
Curbing Corruption**

Kenneth M Dye and Rick Stapenhurst

**WORLD
BANK
INSTITUTE**

WBI Working Papers



Pillars of Integrity: The Importance of Supreme Audit Institutions in Curbing Corruption

Kenneth M. Dye and Rick Stapenhurst

Abstract

Building strong institutions is a central challenge of development and is a key to controlling corruption. Among public institutions, the Supreme Audit Institutions (SAIs) play a critical role, as they help promote sound financial management and thus accountable and transparent government. However, the full potential of the SAI to address corruption has not been exploited, in part because of the lack of understanding of the overall capacity of the SAI.

SAIs are well situated to contribute; they are widely viewed as the independent watchdogs of the public interest and, in some countries, they are already putting a greater focus on accountability for “ethics in the public service” in the scoping of their audit work and also undertaking value-for-money audits. This paper discusses the role of SAIs in promoting accountability and transparency within government, considers some of the factors making for effective SAIs and highlights the linkages between the audit institutions and other “pillars of integrity,” notably the media and Parliament.

Copyright © 1998
The International Bank for Reconstruction
and Development/The World Bank
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.

The World Bank enjoys copyright under protocol 2 of the Universal Copyright Convention. This material may nonetheless be copied for research, educational, or scholarly purposes only in the member countries of The World Bank. Material in this series is subject to revision. The findings, interpretations, and conclusions expressed in this document are entirely those of the author(s) and should not be attributed in any manner to the World Bank, to its affiliated organizations, or the members of its Board of Executive Directors or the countries they represent.

Corruption is a problem that all countries have to confront. Solutions, however, can only be home-grown. National leaders need to take a stand. Civil society plays a key role as well. Working with our partners, the Bank Group will help any of our member countries to implement national programs that discourage corrupt practices. And we will support international efforts to fight corruption and to establish voluntary standards of behavior for corporations and investors in the industrialized world.

The Bank Group cannot intervene in the political affairs of our member countries. But we can give advice, encouragement, and support to governments that wish to fight corruption—and it is these governments that will, over time, attract the larger volume of investment. Let me emphasize that the Bank Group will not tolerate corruption in the programs that we support; and we are taking steps to ensure that our own activities continue to meet the highest standards of probity.

—James D. Wolfensohn, *President of the World Bank*
1996 Bank-Fund Annual Meetings Speech

Contents

Foreword	vii
I. Corruption	1
II. The Concept of National Integrity Systems	3
III. Supreme Audit Institutions as a “Pillar of Integrity”	4
<i>Auditing Models</i>	5
<i>International Audit Standards</i>	6
<i>Factors for SAI Success</i>	7
IV. Increased Role of SAIs	10
V. SAIs and Other Pillars of Integrity	12
<i>The Media</i>	12
<i>SAIs and Parliament</i>	12
VI. Conclusions: SAIs and Recent Anti-corruption Efforts	13
Annex A: Types of Audits	15
Annex B: Historical Background	17
Annex C: SAIs and Performance Auditing	19
References and Bibliography	21
Boxes	
<i>Box 1: The Pillars of Integrity</i>	3
<i>Box 2: The European Court of Auditors</i>	5
<i>Box 3: The National Audit Office (NAO) of the United Kingdom</i>	6
<i>Box 4: INTOSAI</i>	7
<i>Box 5: Common Features of Audit Mandates</i>	8
<i>Box 6: SAI Independence</i>	9
<i>Box 7: Puerto Rico’s Comptroller General</i>	10
<i>Box 8: Developing and Improving Audit Capacity</i>	11
<i>Box 9: Comptroller’s Office in Venezuela</i>	13

<i>Box 10: The SAI and the Control of Corruption</i>	13
<i>Box A1: CCAF-FCVI Attributes of Effectiveness</i>	13

Foreword

The link between governance and economic development is perhaps one of the most topical issues in the development arena today. The Economic Development Institute (EDI) is a leader in the practical applications of good governance principles to development policy. As part of its Governance program, the Regulatory Reform and Private Enterprise Division (EDIRP) has facilitated a series of anti-corruption workshops, seminars, and surveys in nearly two dozen countries in Africa, the Middle East, Eastern Europe, South Asia, and Latin America. Participants in these workshops have included politicians, senior public officials, leaders from civil society, and representatives from international and bilateral agencies. Workshop and seminar participants have outlined innovative ways to increase transparency and accountability, and reported the progress in more traditional reform activities in the civil service, budgeting, and financial management.

It is widely accepted that one of the most critical elements of a country's anti-corruption program is the strengthening of public institutions. Among public institutions, the Supreme Audit Institutions (SAIs) play a critical role, as they help promote sound financial management and thus accountable and transparent government. However, the full potential of the SAI to address corruption has not been exploited, in

part because of the lack of understanding of the overall capacity of the SAI. This paper discusses the role of SAIs in controlling corruption, considers some of the factors making for effective SAIs and highlights the linkages between the audit institutions and other "pillars of integrity", notably the media and Parliament.

Kenneth Dye is a principal of Cowater International and former Auditor General of Canada. Rick Stapenhurst is a Public Sector Management Specialist at the World Bank. The authors would like to acknowledge the seminal contributions of Jeremy Pope and Petter Langseth in the development of the concept of "national integrity systems" and "the pillars of integrity." The authors would also like to acknowledge the suggestions made by Jules Muis and Vinod Sahgal on early drafts of this paper, and the suggestions made by participants at the Regional Seminar on "Accountability and Good Governance" (Delhi, May 5–8, 1998), as well as the assistance of James E. Quigley and Elsa Pilichowski in production. The views expressed herein are entirely those of the authors and do not necessarily reflect the views of the Economic Development Institute or the World Bank.

*Danny Leipziger
Senior Manager
Regulatory Reform and Private Enterprise Division
Economic Development Institute*

Pillars of Integrity: The Importance of Supreme Audit Institutions in Curbing Corruption

Governance as defined by the United Nations Development Programme (UNDP) is the “exercise of economic, political and administrative authority to manage a country’s affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences...Governance encompasses the state, but transcends the state by including the private sector and civil society organizations.” (UNDP, 1997).

Good governance is accountable, participatory and transparent (see Box 2). It ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest of the poor and the most vulnerable are heard in decision-making over the allocation of resources. One of the principal causes of “bad governance” is the existence of corruption. Conversely, one of the core foundations for good governance is accountability—the obligation to render an account for a responsibility conferred. (In government, accountability is a process that subjects a form of control over departments and agencies, causing them to give a general accounting for their actions, an essential concept in democratic public administration).

This paper discusses the role of supreme audit institutions (SAIs) in promoting accountability and

transparency in government and thus, in curbing corruption. An effective SAI can be one of the key institutions charged with the responsibility of controlling corruption through preventative measures (Sahgal, 1996). However, the full potential of the SAI to address the issue has not been exploited, in part because of the lack of understanding of the SAI’s potential for controlling corruption.

The purpose of this paper is to contribute to the review of how SAIs might help control corruption. The first section presents a short definition of corruption and summarizes some of the reasons why it is important to curb corruption. The second section summarizes the concept of “pillars of integrity”—those institutions that play a role in curbing corruption. Section three, the core of the paper, discusses the role of one of the pillars—supreme audit institutions—in promoting accountability and transparency and the linkages between the audit institutions and other pillars, notably the media and Parliament. The final section presents some conclusions and recent developments regarding the role of SAIs in curbing corruption.

I. Corruption

News media around the world are reporting on corruption on a daily basis; and clearly demonstrate that it is not something that is exclusively, or even primarily, a problem of developing countries. Recent events in Europe and North America have

shown all too clearly that corruption is not something that is exclusively, or even primarily, a problem of developing countries.

Clearly, corruption is a complex issue. While its roots are grounded in a country's particular social and cultural history, political and economic development, bureaucratic traditions and policies, one can generalize to state that corruption tends to flourish when institutions are weak and economic policies distort the marketplace (World Bank, 1997b). It distorts economic and social development, by engendering wrong choices and by encouraging competition in bribery rather than in the quality and price of goods and services. Moreover, it is the poor countries—and the poor within poor countries—which can least afford the costs of corruption (Langseth, Stapenhurst and Pope, 1997). Moreover, evidence suggests that if corruption is not contained, it will grow and that once a pattern of successful bribes is institutionalized, corrupt officials have an incentive to demand larger bribes, engendering a “culture” of illegality that in turn breeds market inefficiency (Rose-Ackerman 1996).

Corruption has been described as a “cancer.” It violates public confidence in the state and endangers social cohesion. Grand corruption—where millions of dollars change hands, is reported with increasing frequency in rich and poor countries alike. Petty corruption is less reported, but can be equally damaging; a small bribe to a public servant for a government service may only involve a minor payment, but when such bribes are multiplied a million times, their combined impact can be enormous. If left unchecked, the accumulation of seemingly petty bribes can erode legitimacy of public institutions to the extent that even noncorrupt officials and members of the public see little point in remaining honest (World Bank, 1997b).

Forms of corruption need to be contained for practical reasons. Faced with the challenge of at least maintaining, if not improving, standards of

public service delivery, no country can afford the inefficiency that accompanies corruption. While some may argue that corruption can help grease the wheels of a slow-moving and over-regulated economy, evidence indicates that it increases the costs of goods and services, promotes unproductive investments, and leads to a decline in the quality of public services (Gould and Amaro-Reyes 1983). Indeed, recent evidence suggests that rather than expediting public service, corruption may be more like “sand in the wheels”: recent corruption surveys in Tanzania, Uganda, Ukraine and elsewhere show that people paying bribes to public officials actually received slower service than those who did not.

Simply defined, corruption is *the abuse of public power for personal gain or for the benefit of a group to which one owes allegiance*. It occurs at the intersection of public and private sectors, when public office is abused by an official accepting, soliciting, or extorting a bribe. Klitgaard (1996) has developed a simple model to explain the dynamics of corruption:

$$C(\text{Corruption}) = M(\text{Monopoly Power}) + D(\text{Discretion}) - A(\text{Accountability})$$

In other words, the extent of corruption depends on the amount of monopoly power and discretionary power that an official exercises. Monopoly power can be large in highly regulated economies; discretionary power is often large in developing countries and transition economies where administrative rules and regulations are often poorly defined. And finally, accountability may also be weak, either as a result of poorly defined ethical standards of public service, weak administrative and financial systems and ineffective watchdog agencies.

Successful strategies to curb corruption will have to simultaneously seek to educe an official's monopoly power (e.g. by market-oriented reforms), discretionary power (e.g. by adminis-

trative reform) and enhance accountability (e.g. through watchdog agencies). Such mechanisms, when designed as part of a national effort to reduce corruption, comprise an integrity system. This system of checks and balances, designed to manage conflicts of interest in the public sector, limits situations in which conflicts of interest arise or have a negative impact on the common good. This involves both prevention and penalty. An integrity system embodies a comprehensive view of reform, addressing corruption in the public sector through government processes (leadership codes, organizational change) and through civil society participation (the democratic process, private sector, media). Thus, reform is initiated and supported not only

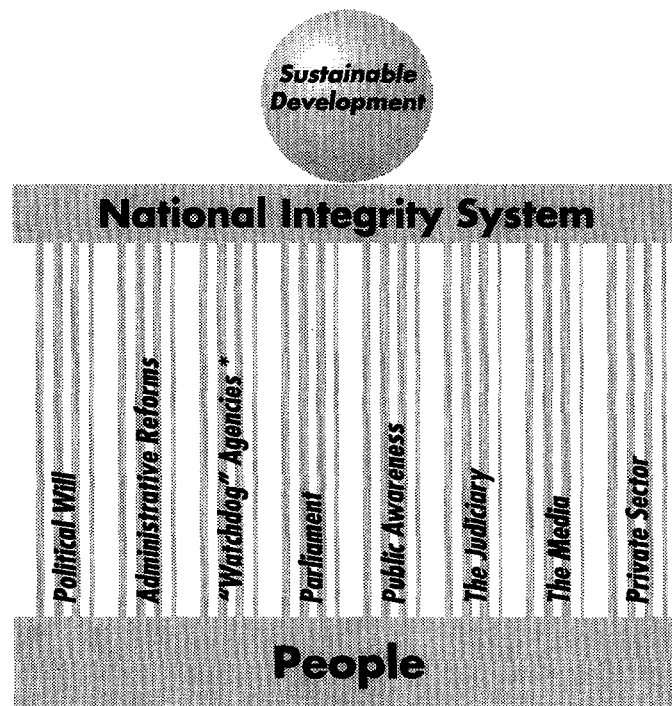
by politicians and policy makers, but also by members of civil society.

II. The Concept of National Integrity Systems

Appropriate economic policies, which reduce the opportunity for corruption (or, in the above model, *M*—the monopoly power of officials), may be considered a prior condition for successfully curbing corruption. With regards to institutional strengthening, country strategies vary a great deal, but worldwide the policy responses to corruption typically involve one or more of the eight following institutions or “pillars”:

- political will;
- administrative reforms
- “watchdog” agencies (anti-corruption com-

Box 1: The Pillars of Integrity



* Anti-corruption agencies; Ombudsman; Auditor General

Source: Langseth, Pope, and Stapenhurst (1997).

missions; supreme audit institutions; ombuds offices)

- parliaments;
- public awareness/involvement;
- the judiciary;
- the media;
- the private sector.

The notion of a “national integrity system” was developed by Ibrahim Seushi, President of Transparency International-Tanzania. The concept is straight forward : the eight institutions identified above are interdependent and together support the notional of ‘national integrity’, much the same pillars might support the roof of a house (see Diagram 1). Pushing the analogy further, if any one of these “integrity pillars” weakens, an increased load is thrown on to the others. If several weaken, their load will tilt, so that the round ball of ‘sustainable development’ rolls off” (Langseth et al. 1997). The general equilibrium of the pillars is therefore important, and a government has an incentive to keep the eight pillars in balance.

III. Supreme Audit Institutions as a “Pillar of Integrity”

Responsible internal financial management is crucial to national integrity, but national audit offices, or supreme audit institutions (SAIs), are (or at least, should be) the linchpin of a country’s integrity system. As the agency responsible for auditing government income and expenditure, the supreme audit institution acts as a watchdog over financial integrity and the credibility of reported information (as well as ‘performance’ or ‘value-for-money’ auditing; see Annex A).

Auditing is a function that serves accountability as it adds credibility to the assertions of the person or entity rendering account, and it provides valuable insights and information to the person or entity conferring the responsibility (see Annex B for a brief history of auditing). Audits are fundamental to accountability—a key

component of Klitgaard’s equation ($C = M + D - A$)—and are a necessary component of public sector performance. They can be a very cost-effective means of promoting transparency and openness in government operations, and can contribute to improved government performance. Also, the audit function contributes to public information about violations of accepted standards of ethics and deviations from principles of legality, accounting, economy, efficiency and effectiveness.

Audits can help curb corruption and act as a potent deterrent to waste and abuse of public funds by, for example, helping restrain any tendency to divert public resources for private gain. Audit can help reinforce the legal, financial and institutional framework which, when weak, allows corruption to flourish; it can help establish a predictable framework of government behavior and law conducive to development, it can reduce the arbitrariness in the applications of rules and law and it can help simplify administrative procedures, particularly where they hinder the smooth functioning of markets (Sahgal, 1996). It can also expose non-transparent decision making that is clearly not in the public interest (World Bank, 1991).

While a plethora of polls in industrial countries indicate that many citizens do not trust their governments to always act in the public interest, the SAIs are widely viewed as independent watchdogs of the public interest and are thus well situated to promote transparency and ethical behavior in their jurisdictions. If the currency of accountability is information, then transparency allows accountability to work effectively; it focuses on public reporting and availability of information, with the objective of making what governments do more visible (Sahgal, 1996). Thus, one can rewrite Klitgaard’s equation as :

$$C = M + D - A(T)$$

to highlight that Accountability itself is a function of Transparency.

The aim of adding has evolved beyond an emphasis on minimizing waste, abuse and fraud and ensuring compliance with financial and administrative laws and regulations to value-for-money assessments (see Annex A). Thus, audit's potential for proactively promoting good governance is generally recognized as an important factor in public sector reforms. The responsibilities of the SAI's now include, in addition to ensuring that the executive complies with the will of Parliament (as expressed through parliamentary appropriations), the promotion of ethical behavior, efficiency and cost effectiveness and the encouragement of sound internal financial controls to reduce the opportunities for corruption and increase the likelihood of its detection (Sahgal, 1996).

Auditing Models

While the importance of SAI's may have increased, there is no common approach to legislative auditing. There are three basic auditing models: the Napoleonic model, the Westminster model and the Board system. The French have exported the Napoleonic system or *Cours des Comptes* model to the Latin countries of Europe and to some extent in South America and Africa. It is a compliance-oriented system that makes legal judgments on compliance with laws and regulations. The *Cours des Comptes* systems have a large number of magistrates who enjoy judicial independence. Most European-conducted performance audits are smaller and less expensive than those in North America, and many are directed at whole government programs. Yet, like SAIs in North America, the most sophisticated European SAIs give a significant role to social objectives in determining what to examine.

The Westminster system is designed to have an Auditor General (AG) make periodic reports to parliament using the professional audit staff of the Office of the Auditor General (OAG) (Box 3).

Box 2: The European Court of Auditors

The European Court of Auditors, located in Luxembourg, is responsible for auditing all European Union budgetary expenditures. The court is composed of one member from each of the fifteen European Union countries. This diversity of members reflects the different audit approaches from their home countries. The court is divided into three Audit Development and Reports Group and a Statement of Assurance Group. The Statement of Assurance Group deals with new requirement under the Treaty on European Union to provide the European Parliament with an annual statement as to the reliability of the accounts and the legality of and regularity of the underlying transactions. Each Group is composed of between three and five Members of the Court.

As well as examining the legality and regularity of transactions, the Court also is required to examine the soundness of financial management, meaning of whether funds have been used with due regard for economy, efficiency and cost effectiveness. The Court also assesses the adequacy of internal systems of office administration, and the adequacy of safeguards against fraud. In addition, the Court relies on country SAIs and performs joint audits with national audit bodies.

While the AG is personally responsible for the operations of his office, the system is essentially collegial in nature. The AGs usually report annually to parliament although there are some exceptions such as in the United Kingdom and Canada where reporting is more frequent. The auditors report on financial statements and the operations of government entities; generally, there is less emphasis on compliance although compliance issues are not ignored if they are identified.

The Board model is similar in nature to the Westminster system and is prevalent in Asia. Indonesia, Japan and Korea use a Board

system with a chair and a small committee. Like the Westminster model, these systems are essentially collegial and the chairman is de facto the Auditor General.

International Audit Standards

For many years the public sector financial auditing community did not observe international standards of audit reporting, although the International

Box 3: The National Audit Office (NAO) of the United Kingdom

The introduction of performance auditing in Britain was legislated in response to the demands of the Parliament (the Public Accounts Committee, or PAC) for audited information extending beyond mere financial audit opinions. Increasing parliamentary concerns about the influence that the executive body, particularly the Treasury, retained over the NAO created the political climate to pass the National Audit Act in 1983, which gave the Comptroller and Auditor General (C&AG), who reports to the House of Commons (Public Accounts Committee), express powers to carry out investigations of how departments use their resources (see Annex C). Thus, the C&AG is now able to provide assurance about performance and about whether public money has been spent properly and for the purposes intended by Parliament. However, the C&AG is not entitled to question the merits of policy objectives; examinations are focused on the means employed to achieve the policy objectives set by the government and approved by Parliament.

Selection of performance audit studies are made annually based on a variety of criteria which include the amount of money involved; prima facie evidence of poor value-for-money; the level of political, parliamentary; and political concern; and the likely added value to be derived from the NAO conducting a study. The choice of audits is solely that of the C&AG, but the views of the PAC are taken into account, and its response to the NAO report may be included in the final report to Parliament.

NAO is one of the leading SAIs and emphasizes rigorous audits, quality assurance, and objectivity. A well trained staff conducts a wide variety of performance and financial audits with the latter having become increasingly important in

the face of government restructuring. During the past decade, NAO has offered a lot of training to its staff, hired a large number of accountants and social scientists, enabling integrated audit teams—supplemented by experts from the private sector and academia—to use multi-disciplinary approaches to performance auditing by combining diverse skills and background.

Similar to the US GAO contribution to government savings, the UK NAO performance auditing has identified savings of £270 million (US\$425 million)—equivalent to £7 saved for £1 spent on audits. From an annual budget of US\$66 million, about 38 percent of NAO resources are dedicated to performance auditing to produce over 50 reports annually. The cost of performance audits continues to decline as a result of better management and planning, with an emphasis on tighter, faster, and sharper examinations. Also, performance auditors have improved the quality and value of their reports by:

- identifying financial savings;
- adopting emerging trends such as market testing;
- using a thematic approach;
- applying rigorous methodologies that provide defensible findings and conclusions; and
- contracting with private sector experts when their expertise enhances a performance audit.

As in Canada and the United States, NAO undertakes internal quality reviews of ongoing and completed work, through contractual arrangements with independent quality panels. The panels provide advice on audit issues, evidence and report drafting.

Federation of Accountants (IFAC) has for many years published international audit standards which have direct application to commercial entities and state-owned enterprises.

In recent years, however, there has been more acceptance of public sector auditing standards. In the middle 1980s, IFAC established a Public Sector Committee (PSC) to focus on accounting and auditing standards applicable to public sector audits and accounts. Currently there are numerous pronouncements available from the IFAC PSC, which offer guidance to public sector auditors and many countries with institutes of professional accountants have established their own public sector committees, which provide useful guidance to auditors of public sector entities.

3.1 Factors for SAI Success

Several factors have been identified to SAI success. Of these, the most important are: having a clear mandate; independence (both from the executive and to investigate issues at its sole discretion); adequate funding and staff; and the sharing of knowledge and experience.

CLEAR MANDATES

Auditing mandates should be rooted in a set of rules and boundaries agreed to by parliament. Audit acts that define parliament's objectives are the most effective way of communicating and authorizing an audit mandate (Box 5). Failure to set out auditing requirements in legislation leaves an SAI vulnerable to criticism that it is exceeding its mandate. Also, an audit act ensures that the SAI addresses all the issues that parliament wishes to be scrutinized by an independent body.

In developing audit mandates, developing country SAIs need to reconsider the role of sanctions and penalties. Although they are no longer common in the Western world, many developing country institutions regularly apply sanctions and penalties. This practice creates an environment

Box 4: INTOSAI

The International Association of Supreme Audit Institutions (INTOSAI), based in Vienna, Austria, is the worldwide association of national audit offices. INTOSAI has developed its own audit guidance for the SAIs of the world to conduct financial, compliance and performance audits. These auditing standards were accepted and adopted at the 1992 conference of INTOSAI. The INTOSAI Auditing Standards are compatible with the Government Auditing Standards produced by the United States General Accounting Office in a publication widely known as the Yellow Book. They can also be easily adapted to the needs of developing country SAIs until these countries are ready to develop their own standards. Developing country SAIs should make the intellectual investment needed to understand these standards as they apply to performance audits. An international auditing standards team should be part of the research and methodology group of a developing SAI.

where the auditor is feared and perhaps not respected as a professional advisor who adds value to the entity. The modern view is that learning lessons from mistakes is more constructive than penalizing bureaucrats.

SAIs wishing to create mandates should review the explicit performance auditing mandates of other audit institutions. Before legislation can be drafted, SAIs and governments must define auditing and determine the independence of auditors, the scope of audits, the entities to be audited, and the reporting responsibilities of auditors.

SAI INDEPENDENCE

Independence is a fundamental feature of all the industrialized country SAIs. Not only is the independence of the organization clearly enunciated, the personal independence of the AG (sometimes a Chair or President) or members of a Court of

Box 5: Common features of Audit Mandates

The purpose of setting out an audit mandate is to assure parliament that it will receive independent credible audit assurance and other useful information about the management of public funds.

Audit legislation often contain these features:

- criteria for the selection of an Auditor General (Comptroller & Auditor General; President of the Court of Accounts; Chairman of the Board of Audit);
- term of service;
- provisions for retirement or dismissal;
- scope of audit, when and what to report upon, will be influenced by whether:
 - all information and explanations have been received,
 - accounts and essential records and systems are maintained properly,
 - financial statements meet international and country standards,
 - money has been expended as intended,
 - expenditures have proper authority,
 - there has been due regard for economy, efficiency and effectiveness,
 - there are appropriate systems in place to prevent fraud and waste,
 - the Auditor has recommendations to improve government operations, and
 - fraud exists.
- reasonable access to records;
- immunity from liability for the Auditor General;
- requirement to report regularly rather than annually;
- right to hire and fire SAI employees;
- right to contract out for professional services; and
- provision of adequate budget.

Audit is always carefully set out in legislation and acknowledged in tradition. This was and is true for financial and compliance auditing and is equally, if not more important, for performance

auditors, because performance audit reports on government operations have more potential to embarrass a government and its ministers. If SAI independence in developing countries is not protected by legislation or strong tradition, the situation needs to be changed. The SAI leader should be able to report directly and frequently to the parliament without interference from the politics of the executive government. Such independence demands freedoms for the Auditor General to audit and report as deemed necessary, with adequate personnel and financial resources.

Independence of a SAI and its leader is a hallmark of an effective SAI. If the SAI is going to audit the government, it must have the authority to do its job without threat of retaliation and the power to proceed with its plans. It must not be dependent on those that it audits to determine how auditing will be conducted. The SAI leader also needs status to persuade very senior members of the government bureaucracy of the importance of his recommendations or requests for information. Independence can be strengthened by including the role of the AG in the constitution of the country, as has been done in Indonesia, India, Japan and Zambia.

In Japan, the Board of Audit is independent of the Cabinet. The Board has three Commissioners who are appointed by the Cabinet and attested to by the Emperor. The Commissioners, who hold the same status as State Ministers and Supreme Court Judges, hold office for a 7-year term and his/her status is assured during the term to secure the Board's independence from the Cabinet. In Indonesia, the Chairmen, Vice Chairman and Members of the Supreme Audit Board are appointed by the President on their nomination by Parliament. In India, the Comptroller and AG is appointed by the President and his oath of office requires him/her to uphold the Constitution of the country and the laws made thereunder. In Canada and India, it takes both houses of Parliament to

terminate the AG before the normal retirement time. In Belgium, Members of the Court can only be removed by the Chamber of Representatives, and in the United Kingdom removal of the Comptroller and Auditor General is by the monarch on a resolution of both houses of Parliament. A similar requirement for approval by the legislature exists in Ireland, Luxembourg and in Austria, where a verdict of the Constitutional Court can also remove the President. In Portugal only the State President can remove the President of the Tribunal de Contas.

There is another dimension of SAI independence: freedom to determine what shall be audited. In all developed country SAIs, there is little or no interference by executive government on the choice of issues to be audited. Those being audited should have no influence on the choice of who or what gets audited. Likewise SAIs need the freedom to determine what shall be reported. The reporting of audit findings should be the sole decision of the SAI, not the auditee. There should be room for discussion and negotiation, but at the end of the day, it is the responsibility of the audit office to decide what will be reported.

ADEQUATE FUNDING AND STAFF

SAIs are often short of funding, especially throughout the developing world. While it is probably true that some improved efficiencies could be obtained in these SAIs, it is unlikely that improved efficiency would generate sufficient savings to provide competitive salaries and modern technology for SAIs. Governments will have to consider the adequacy of resources for many developing country SAIs. Budgetary constraints often inhibit the upgrading and maintenance of staff skills. Few developing countries set annual targets for performance audit training or devise budgets that take the cost of courses and external training into account.

SAI staff must be adequately paid and trained. Effective SAIs subscribe to the principle of con-

tinuous development of their staff. To ensure high-quality work, they need to employ qualified staff, remunerate them adequately, emphasize continuous improvement and encourage subject-matter expertise. For example, there is a need for auditors to improve their skills in fraud detection and information technology through a combination of training, education and experience (Sahgal, 1996). In those circumstances where professional knowledge is required, calling on outside expertise may be desirable (INTOSAI, 1977).

Developing country SAIs seldom produce statistics on individual and project levels of effort.

Box 6: SAI Independence

To be effective, any external auditor must be devoid of accountability to, or susceptible to pressures from, the clients or institutions being audited. The office should not be a part of, or managed by, a government department it has to audit. To be so would create a systemic conflict of interest and to open the door to forms of "management." The supreme audit institution's clients are parliament (or comparable bodies) and its subjects are the public officials entrusted with public expenditure.

Unfortunately, this office can be particularly vulnerable to pressure from its clients, and in the majority of cases, the Executive. To assure independence, the office should have relative freedom to manage the department's budget and to hire and assign competent professional staff. The latter is important if it is to maintain its ability to match the capability of senior officials in government.

The responsibilities of the office of the Auditor General also include ensuring the Executive complies with the will of the Legislature, as expressed through parliamentary appropriations; promotes efficiency and cost effectiveness of government programs; and prevents corruption through the development of financial and auditing procedures designed to reduce the incidence of corruption and increase the likelihood of its detection.

Box 7: Puerto Rico's Comptroller General

In Puerto Rico, the Comptroller General embarked on an aggressive modernization program and the current Comptroller General, Ileana Colon Carlo, credits the fact that her office had, by the end of 1996, recovered \$28 million in unlawfully disbursed funds. In 1987, for example, the large majority of employees of the Office operated with typewriters, manual ledgers and adding machines. A decade later, the Office had become the best-equipped and most updated of all government departments. *Accountability*, No. 14, June 1997.

Costs are not assigned to individuals or performance audit projects, and data are not used to gauge the progress of projects. In the absence of project budgets and management information systems, performance audits are likely to be inefficient and expensive, since no records are kept and there is no accountability for project management. In addition, a lot of SAIs are overstaffed, with undertrained auditors who add little value to the audit process. For SAIs to maintain credibility, they must manage themselves in an effective manner that would result in a favorable performance audit report if the SAI itself were subjected to a performance audit of its own operations.

Although SAIs are often responsible for commenting on the economy, efficiency, and effectiveness of government operations, few engage in cost management themselves. Most do not track the resources that are consumed by each audit or overall operating costs. Budgets are rarely produced for performance audit projects, audit administration, or training and methodology development. None of the developing country SAIs surveyed has a capital budget. Timesheets are rarely used, thus there is no database for determining the cost of performance audits, administration, or training. Developing country SAIs should develop annual train-

ing budgets and set targets for the resources to be committed to training. This target could be expressed as a percentage of the office budget or as a mandatory number of days of training for each auditor and administrator. In addition, requiring staff to use timesheets would simplify the management of audit costs.

SHARING OF KNOWLEDGE AND EXPERIENCE

International exchange of ideas, knowledge and experience is an effective means of raising the quality of audit, harmonizing standards, sharing best practices and generally helping SAIs to fulfill their mandates. To this end, international congresses and training seminars, regional and inter-regional conferences and the publication of international journals have promoted the evolution and development of the auditing function (INTOSAI, 1977). Increasingly, too, SAIs need to liaise closely with enforcement officials in other government agencies to ensure that skills and insights are shared and that they become more adept at uncovering corruption (Sahgal, 1996).

IV. Increased Role of SAIs

A well performed and reported audit serves as an essential instrument for development, promoting good governance by improving public sector management. Any SAI that provides high quality audit services clearly has the potential to assist its legislature and other governing bodies in holding the government accountable for its stewardship of public resources. There are currently many innovations in public sector auditing. The Canadian OAG has been studying well performing organizations, and conducting studies on ethics, values and learning organizations. In Europe, the SAIs are focusing on audits of programs that directly affect the public's concerns. SAIs are collaborating on audits. Results-based audits and audits of the environment have recently gained popularity proving that auditing is not a static process.

In the developed world, SAIs have moved towards more proactive involvement in better accountability and more effective operations of government. The shift has been described as moving from a role of observer to a more pro active role as an improver. Executive government takes some risk in allowing an informed critic to make comments about its operations and financial statements. However, if the government is not willing to allow such exposure, the lack of commitment to audit will weaken the auditing process considerably. Governments must be willing to provide an appropriate strong mandate, and to provide the financial and human resources to fulfill the mandate. Likewise there needs to be unrestricted access to information.

Following decades of experimentation with audit strategies, a number of lessons emerge from industrialized countries that have shown an effectiveness in their work to promote governmental accountability. Although there are differences in methodology, common successful strategies can be borrowed and used to advance auditing in the developing world (see Box 8).

Transparency is built on the free flow of information, i.e. enough information to determine responsibility for failure, incompetence or deceit. An auditor cannot come to a final conclusion if there is a limitation in the scope of an audit due to a restriction on information access. Auditors need to have complete and accurate evidence to conclude their opinions. Barriers such as a need to obtain permission to receive evidence should be eliminated in clear legislation that enables the auditor to obtain whatever information he or she deems essential.

In most advanced countries, the SAI is given complete access to information that it needs to do its audit work. Examples are found in the SAI legislation for the following countries: Japan, Canada, India, the United Kingdom, Sweden, Spain, the Netherlands, Germany, Moldova, Romania, Esto-

Box 8: Developing and Improving Audit Capacity

Countries that choose to develop and improve their audit capacity should adopt strategies that have proven successful after 30 years of experience by SAIs in some industrialized countries:

- free SAIs from government interference;
- establish clear auditing mandates in legislation;
- compensate auditors competitively to avoid costly brain drain;
- carefully recruit high quality auditors from a variety of disciplines, especially for performance auditing;
- provide each SAI with its own training facility and audit program;
- document audit methodology and support with training;
- publish reports upon audit completion, and not wait for annual report;
- produce audit reports that are clear and interesting;
- focus performance audit reports on a few significant topics;
- establish quality control and quality assurance mechanisms for performance auditing; and
- attract attention to audit reports by encouraging media interest.

nia, Zambia and the Slovak Republic. In certain countries, access is limited, for example, limitations exist in the United States, France and the Czech Republic. Unfettered access to information is an indication of the extent of independence conferred upon the SAI. In the most advanced countries, access is complete and unfettered.

SAIs can become key instruments for maintaining and enhancing the credibility of the state in the eyes of the public. In many countries, the AG enjoys high credibility in the eyes of the public. Sometimes it is the individual him or herself but more often it is the good reputation of the institution. Faith in SAIs is developed from good

auditing over a long time where the public comes to understand that the auditor is not a political person and can be trusted to stick to the facts and be objective and fair. When the public places faith in an SAI, it is well positioned to report on government's progress in improving its operations. SAIs can contribute to reforms and monitor how changes are occurring. They can develop recommendations to make reform more effective and make the management of change as transparent as possible. Good auditing in many countries is seen as a major contributor to the evolution of public sector reform.

V. SAIs and Other Pillars of Integrity

The concept of an integrity system highlights the interlinkage between institutions, or pillars. The SAIs, if they are to be effective, rely on an effective Parliament—to whom they report—and media, which can publicize wrongdoing discovered by the SAI.

The Media

The media plays a significant part in enhancing the role and public stature of an SAI. Effective SAIs have established a good working relationship with the media. All forms of media, i.e. television, print and radio are useful for getting the audit message across to parliamentarians and the public. Audit reports tend to be written in very cautious and stilted language, which is not easily read or understood. Sometimes important issues get lost in the careful phrasing of an audit report. However the media gives the SAI an opportunity to use plain language and in a short article or interview, convey succinctly the essential points of an audit finding. While the use of the media is not popular with bureaucrats because context is lacking, the clarity of the message is enhanced.

Politicians are particularly interested in media items. If audit findings are highlighted in a media presentation, parliamentarians are likely to pay close attention. Many auditors realize that their

reports are not read directly, only the media messages are absorbed. So it is important for an SAI to have access to the media to convey essential audit findings and recommendations.

The media also play a large role in shaping the public's attitude towards the audit office. SAIs need public support to gain the confidence of parliamentarians. Good media relationships certainly enhance the SAI reputation for competence, independence and fairness.

SAIs and Parliament

The relationship between a Parliament and its SAI is at the core of the objectives and purpose of Parliament's oversight function (Stapenhurst and Miller). Effective Parliamentary oversight requires that Parliaments scrutinize public expenditures and revenues. Since few MPs have the skills to undertake this function, Parliaments typically rely on SAIs to audit the public accounts on their behalf, requiring the SAIs to report regularly on their findings.

In the Westminster Parliamentary system, the reports from the Auditor General's Office are usually referred automatically to the Public Accounts Committee (PAC) for review. In the United Kingdom hearings are held almost every week when Parliament is in session and the Auditor General personally attends hearings on their reports. Witnesses from government departments and agencies are called to these hearings and the Auditor General and his auditors attend and offer comment on their findings. The PAC considers the testimony of the witnesses and sends its reports to Parliament for comment and action. Frequently, there are recommendations requiring follow-up action by the Auditor General. Sometimes, too, the Auditor General is called as a witness before other Parliamentary committees, thereby allowing these committees to focus on financial and operational matters pertinent to their mandate.

Box 9: Comptroller's Office in Venezuela

Prior to 1938, Venezuela's General Accounting Office was a generally weak, powerless organization, located within the executive branch. With assistance from the United States, the Office of the Comptroller General was established and is now autonomous. Based on the Colombian model, it is only loosely affiliated to Congress. Like the Comptroller General in Puerto Rico, the GAO is undergoing a period of intensive modernization; it is moving away from ex-ante control of contracts and payments towards a system of comprehensive ex-post financial and performance audits. Accountability, December 1996.

In Parliamentary systems other than the Westminster-type, there are similar relationships between the Parliament and the SAI. An exception is the *Cours des Comptes*-style SAIs, where Parliaments do not automatically receive the SAI reports (although they may receive a report on the work of the court). Rather, audit issues under this system are dealt with by magistrates in a judicial fashion.

VI. Conclusions: SAIs and Recent Anti-Corruption Efforts

Experience indicates that no one institution, acting alone, can significantly reduce corruption. Indeed, the very concept of a "national integrity system" highlights the *linkages* between institutions. In the case of the SAIs, their reporting to Parliament and relationship to the media is important.

Corruption has been identified as a symptom of something gone wrong with the management of the state. The World Bank has defined corruption as "the abuse of public office for private gain". Such a definition would include bribery with government contracts, bribery influencing government benefits, bribery to reduce taxes owing, bribery in issuance of licenses, bribery with registrations and permits, bribery to change or not change laws.

Benefits to those who bribe can be enormous and corruption associated with international business transactions could involve both politicians as well as bureaucrats. The most successful corrupt practices are those where the corruptor and the corruptee both gain sufficient advantage to be satisfied with the transaction. Other forms of corruption such as theft of state assets by those who are in charge of the assets is a huge problem. A recent form of corruption has emerged with the privatization of state-owned enterprises for the benefit of officials. Theft of government financial resources such as pocketing revenues, not repaying advances are all forms of corruption that auditors must be more vigilant in identifying.

Audit can be a powerful force to combat corruption. It also can be a potent deterrent to waste and abuse of public funds exposing non transparent decision-making that was not in the public interest. Curiously though, auditors in the private or public sector who have been trained to audit financial statements do not have

Box 10: The SAI and the Control of Corruption

Vinod Sahgal (1996) has identified the following steps that an SAI can take to improve its capacity to curb corruption:

- Clarify its mandate and mission statement regarding its role as a catalyst for combating corruption
- Proactively promote policies that encourage ethical behavior in the public service
- Actively promote improvements in the quality of the public service
- Strengthen their Reporting and communication strategies
- Raise the public's awareness about ethics and corruption
- Work with educators to enhance communications in schools and homes on the subject of corruption

a history of finding much fraud through their audits. Their main contribution to preventing corruption has been the strong psychological factor of deterrence. However the deterrence factor is not enough to prevent corruption in the public sector. Reporting on corruption and criminal activity is required of the General Accounting Office of the USA and of the SAIs of the Philippines, Bhutan, Indonesia, Malaysia, Spain, Romania, Moldova, China, Estonia, Lithuania, Germany, the Netherlands, Sweden, India, the United Kingdom, South Africa, the Czech Republic and the Slovak Republic. It is noteworthy that this list suggests that some *developing* country SAIs are ahead of their counterparts in the industrial world when it comes to detecting corruption.

Within the International Organization of Supreme Audit Institutions—the international organization of SAIs—there is an increasing interest in corruption and fraud. SAIs are going to study corruption and develop new audit methods to prevent it as much as possible. They need to examine whether the checks and controls devised by governments to deal with corruption are adequate and actually working. Two areas where auditors have been quite successful in identifying corrupt practices is detecting situations where managers are drawing pay for ghost workers, and identifying sub-standard construction through inspection. Auditors are developing better methodologies to detect corruption and bring to light corrupt practices. ■

Annex A: Types of Audits

Audits can be classified into three basic types: attest or financial auditing, compliance auditing and performance auditing or value-for-money (VFM) auditing. In financial auditing, the auditor attests to, or verifies, the accuracy and fairness of presentation of financial statements. Attest audits result in opinions that indicate whether reliance can be placed on a government's financial statements. Auditors plan and perform attest audits using their knowledge of accounting and auditing, and of the government organizations being audited. As part of these audits, they gather evidence, on a test basis, to support the amounts and disclosures in the financial statements. Audit procedures might include comparing the results of operations with planned results, checking the reliability of an organization's financial control systems and checking samples of transactions and balances.

Ultimately the financial auditor adds credibility to financial statements prepared by an organization by providing an unqualified audit opinion on the financial statements. Where the auditor cannot express an unqualified opinion, he/she will provide additional useful information to the reader of the financial statements explaining his/her reservations. Auditors will qualify or deny opinions if financial statements are materially misstated, accounting principles

are violated, the scope of the audit was compromised or if underlying systems are inadequate to produce reliable financial statements.

In compliance auditing, the auditor asks if the government collected or spent no more than the authorized amount of money and for the purposes intended by the government. The audit team reviews transactions to see if the government department or agency conformed to all laws and regulations that govern its operations. This includes checking the spending authority contained in the annual budget and relevant legislation.

In performance auditing or VFM auditing, the auditor asks whether or not taxpayers got value for their tax dollars. Often the audit team works closely with an advisory committee of experts who offer advice and review audit results. Performance auditing seeks to ensure that administrative procedures adhere to sound management policies, principles and practices. Also, it looks to see that the best use is made of human, financial and other resources including procedures, information systems and performance measures and monitoring arrangements used by audited organizations and that the organization's performance helps achieve its institutional objectives. Performance audits encourage governments to improve the way they manage public funds. They will focus on matters of due regard to the "3 E's" and will also address the pro-

tection of assets. This type of auditing has much more effect on democracy than any other approach to verification.

Financial, compliance and performance audits combine to form an audit framework ("comprehensive auditing") that, over time, provides a complete view of an organization. Audits that promote an honest, accountable and productive government can be described as constructive audits; they encourage government to manage for results and be concerned about managing revenues and expenditures in an effective manner. These audits ask the right questions about what was accomplished and whether there was success or failure, and if there was a concern for economy and efficiency. The most effective audits demonstrate the transparency of government programs and reveal important lessons to be learned. ■

Annex B: Historical Background

Auditing has been an important part of public administration for a long time—going back to early centuries in Egypt, China and Korea. Early emperors and pharaohs wanted to know if their assets were being protected, so auditors were sent out to ensure that rice was stored as reported and that taxes were being collected properly. In 18th century Europe, audit systems were developed that focused very much on compliance with rules and regulations decreed by various rulers. In the Anglo Saxon tradition, the notion of compliance with laws was extended to auditing financial accounts and giving opinions on the fairness of account presentations. In the latter part of the 20th century, the notion of auditing performance and operations emerged and became an important part of the audit process.

In the 1960s and 1970s, parliamentarians were looking for reliable data to assure parliament that executive government was accountable for its programs and taxpayers were calling for a more efficient and less expensive government. As a result, industrialized country SAIs made considerable progress in developing and experimenting with performance auditing methods and techniques. Criteria for measuring government performance were established, methodological approaches were invented and applied and performance indicators were developed. Concepts of significance and in-

dicators for economy, efficiency and effectiveness (sometimes referred to as the “3 E’s”) were explored and developed. These efforts improved the audit reporting about government operations, most notably in Canada, Sweden, the United Kingdom, and the United States. Now performance auditing is widespread in Europe, North America, Australia and New Zealand, and is emerging in Asia and South Africa. ■

Annex C: SAIs and Performance Auditing

Traditionally, most SAIs have exercised their function through audits that concentrated on whether government expenditures and operations complied with various laws and regulations. However, in recent years a number of SAIs have been directing their audits to the economy and effectiveness of government operations, i.e. performance auditing or VFM auditing to provide information about the operations of an entity or of a program or project.

For auditing to be valued by bureaucrats in government, it is necessary for auditing to add value to their functions. Performance auditing seems to add more value to the stock of knowledge about government operations than do financial audit opinions which give assurance about the credibility of financial statements. Compliance audits, while useful for ensuring compliance with law or casting blame, do not add as much value as performance audits. For a modern SAI to fulfill its role, performance auditing should be an important mandate feature (and there should be sufficient budget and training to perform such audits as well). In tiny Bhutan, for example, the Royal Audit Authority is mandated to conduct comprehensive audit, financial and compliance audits, performance audits and/or any form of audit as it may deem proper.

Approaches to performance auditing have evolved in response to economic and political pressures. An early approach was to audit all the main systems used by a government organization. The theory behind this top-down, process-oriented approach was that if systems were complete and met good management standards, then it followed that processes and activities would inevitably lead to good performance. However, this approach was time-consuming and expensive, and such audits were often unwieldy to review and difficult to understand.

A more modern approach is to audit projects or groups of projects. Smaller audits have fewer criteria to meet, although they also can focus on processes. The reports are more useful because they focus on a few topics, and their finds and recommendations are understandable and practical. And, since the audits of projects are smaller and easier to manage, costs are lower and reports are shorter and more frequent. Another modern approach to performance auditing is to audit a function across a number of departments of government. Audits of personnel practices, cash management, travel, and procurement lend themselves to this cross-cutting approach.

Performance auditing has always emphasized the need to better define government and program objectives. As governments become more accus-

tomed to and increase their use of performance auditing, program objectives and performance standards and targets will become more clearly stated, greatly improving the relevance and efficiency of auditing. Better definitions of expected financial performance, quality of service, efficiency, output, outcome and impact will significantly improve the base of auditable evidence, thereby vastly expanding the range of auditable activities. Performance auditing will also become more efficient as computerized audit procedures take hold.

While computers have been used for many years for administrative and word processing activities, SAIs have changed their methods of auditing computerized agencies by employing Computer-Assisted Auditing Techniques (CAATs). These computer systems allow the auditor to download information from government systems and audit off-line or audit in real time. The Canadian SAI invented Interactive Data Extraction and Analysis software (IDEA), which is used in many SAIs for auditing compliance, financial statements as well as performance.

Performance auditing will continue to evolve as SAIs gain more experience. However, most current mandates limit the scope of performance auditing by not allowing comment on government policy, only on the implementation of policy. SAIs of Germany and Vietnam are exceptions as they are allowed to comment on government budgets. Some countries may allow their audit institutions to expand their mandates and evaluate programs and policies, as in the United States.

A new approach to performance auditing, similar to that used in financial statement auditing, is being promoted by Canada's CCAF-FCVI, previously known as the Canadian Comprehensive Auditing Foundation. This new approach has been described as Management Assertions on Attributes of Effectiveness (see Box 7). In this model, management makes assertions on up to 12 fundamental effectiveness attributes thereby producing

Box A: CCAF-FCVI Attributes of Effectiveness

- management direction,
- relevance,
- appropriateness,
- achievement of intended results,
- acceptance,
- secondary impacts,
- costs and productivity,
- responsiveness,
- financial results,
- working environment,
- protection of assets, and
- monitoring and reporting.

a self-assessment of the organization's performance. And the auditor assesses how complete and reasonable each assertion is, thereby producing a self-assessment of the organization's performance.

This approach has not yet gained widespread acceptance by many public institutions or private enterprises. The main obstacle is convincing managers that they can offer honest and realistic assertions without risking their careers or exposing their organization to legal liabilities. With some experimentation, this more efficient approach to performance auditing may prove its worth.

Another recent trend has been to shift the focus of audits from processes to results. As with audits oriented to examining processes, the audit criteria for auditing results are developed beforehand to ensure that audit findings concentrate on the three E's of operational outputs, usually at the project or program level. This approach abandons a long-held regard for processes and systems, and gets to the point of the exercise: *did the activity achieve the intended result?*

Results-oriented auditing has sharpened the focus of performance auditing, and reduced the need for field work and lengthy reporting procedures.

Choosing audit topics that affect the entire society or a broad cross section of society is yet

another recent trend in some industrialized countries. With performance audit reports, politicians can respond quickly to current events and concerns. In Sweden, for example, priority is given to areas where an external, independent, and impartial audit is expected to help improve efficiency and effectiveness of government operations. Also, as health care costs rise around the world, governments may well use their SAIs for health care auditing. Similarly, environmental auditing may become more commonplace. ■

References and Bibliography

- Accountability*, December 1996.
- Accountability*, June 1997.
- Canada. Office of the Auditor General. September 30, 1994. *Response to the Study Group Survey Questions: Significance in Value-for-Money Auditing*.
- . June 1994. *Special Examinations of Crown Corporations—Audit Guide 23*.
- . August 1995. *VMF Auditing Practices—A synthesis*.
- . 1994. *Auditing of Efficiency—Audit Guide 1, Part I*.
- . 1994. *Choosing and Applying the Right Evidence Gathering Techniques in Value-for-Money Audits—Audit Guide 24 (Field-Testing Draft)*.
- Canadian Comprehensive Auditing Foundation (CCAF). 1996. *Accountability, Performance Reporting, Comprehensive Audit—An Integrated Perspective*.
- . 1994. *Comprehensive Auditing: An Introduction*.
- . 1988. *Accountability, Accounting and Audit—Responding to a Decade of Experience*.
- . 1991. *Comprehensive Audit Reporting—Concepts, Issues and Practices*.
- . 1991. *How Can You Influence a Comprehensive Audit—A Client's Guide*.
- . 1984. *Knowledge Requirements for Comprehensive Audit—A Practitioner's Guide*.
- . 1987. *Reporting and Auditing Effectiveness in the Public Sector (Full Report)*.
- . 1987. *Reporting and Auditing Effectiveness in the Public Sector (Summary Report)*.
- . *Reporting on Effectiveness* (12-minute videotape).
- . *Reporting on Effectiveness with an introduction and Summary Comments by Executive Decision-Makers* (65-minute videotape).
- . 1993. *Reporting and Auditing Effectiveness—Putting Theory into Practice*.
- . 1994. *In Search of Effective Governance* (videotape and written material).
- . 1988. *Accountability, Accounting and Audit—Responding to a Decade of Experience*.
- . 1987. *Canadian Hospitals: Accountability and Information for Cost-Effectiveness—An Agenda for Action*.
- . 1986. *A New Dimension to Reliance on Internal Auditing in Canada*.
- . 1987. *Special Examinations, Internal Audit and Reliances: A Practitioner's Guide*.
- . 1984. *Value for Money in Municipalities: A Practitioner's Guide to Municipal Comprehensive Auditing*.
- Germany. Federal Court of Audit. *Audit Guide*, September 1993.

- Gould, David J., and Jose Amaro-Reyes. 1983. "The Effects of Corruption on Administrative Performance: Illustrations from Developing Countries." World Bank Working Paper No. 580. Washington, D.C.: The World Bank.
- Hoffman-Burchardi, Economy. January 1989. *Efficiency, and Effectiveness Audits*.
- Hong Kong, Director of Audit. *A Report of the Director of Audit on the Results of Value for Money Audits*, Report No. 25, October 1995.
- House of Commons. 1981 "First Special Report from the Committee of Public Accounts, Session 1980-81." In *The Role of Comptroller and Auditor General, Volume 1, Report*. London: HMSO.
- India. Office of the Comptroller and Auditor General, Training Division. *Efficiency-Cum-Performance Audit*.
- International Federal of Accountants (IFAC). *Performance Reporting by Government Business Enterprise*. January 1996.
- International Organization of Supreme Audit Institutions (INTOSAI). *Training Program for National Audit Offices, International Journal of Government Auditing*. Washington, DC, 1995.
- . June 1992. *Auditing Standards Committee*, Auditing Standards.
- . October, 1977 *Lima Declaration of Guidelines on Auditing Precepts*.
- The IX Congress of INTOSAI, Lima, Peru
- Klitgaard, Robert. 1996. "Bolivia: Healing Sick Institutions in La Paz." In *Governance and the Economy in Africa: Tools for Analysis and Reform of Corruption*. Edited by Patrick Meagher. College Park, MD: Center for Institutional Reform and the Informal Sector.
- Langseth, Petter Jeremy Pope and Rick Stapenhurst. 1997. "The Role of a National Integrity System in Fighting Corruption". Washington, D.C.: The World Bank.
- Pakistan, Office of the Auditor General. 1993. *Performance Audit Guidelines—Book 2—Under-taking Performance Audit*
- . 1984. *Performance Audit Guidelines—Volume 1—Measuring Performance*.
- Pope, Jeremy (ed.). 1997. *National Integrity Systems: The TI Source Book, 2nd Edition*. Washington, D.C.: The World Bank.
- Radburn, William. F. and Maria Barrados. 1994. "Results-Based Auditing." World Bank Discussion paper No. 68.
- Reuter, Dr. Hans-Henner. *Performance Audit - Summary*. November 1990. Seminar on Selected problems of Public Sector Auditing of High-Ranking Representatives of the Supreme Audit Institutions of Kenya, Uganda and Zimbabwe, Germany.
- Rose-Ackerman, Susan. 1996. "The Political Economy of Corruption: Causes and Consequences" *Viewpoint* (World Bank) 74 (April).
- Sahgal, Vinod 1996. "Strengthening Legislative Audit Institutions: A Catalyst to Enhance Governance and Combat Corruption" (unpublished manuscript).
- Stapenhurst, Rick and Robert Miller, forthcoming. "The Role of Parliaments in Curbing Corruption". Washington, D.C.: The World Bank.
- Sweden, National Audit Office. 1995. *Performance Auditing at the Swedish National Audit Office*
- . 1994:38, 1995. *A Strategy for Performance Auditing of Social Security Systems*.
- . 1995. *Management of Program Aid—Coordinated British, Dutch and Swedish Audits*.
- Tanzania, The United Republic of. 1996. Presidential Commission of Inquiry Against Corruption, *Service Delivery Survey: Corruption in the Police, Judiciary, Revenue and Land Services*. Dar es Salaam.
- United Kingdom National Audit Office. *Performance Measurement and Value for Money Audit*, April 1995.
- . August 1991. Snelling, J. and J. Towns, *Designing and Carrying Out a Survey*, Unit A, Investigative Techniques Guide No. 1.

- . Snelling, J., *Use of Sampling—Value for Money Studies*.
- . 1993. *Study Selection*, Unit A, Investigative Techniques Guide no. 5,
- . Towns, Julia, *Case Studies as a Method of Evidence Collection and Analysis*, Unit A, Investigative Techniques Guide No. 3.
- United States General Accounting Office (GAO). 1994. *Government Auditing Standards—1994 Revisions*, GAO/OCG-94-4, Washington, DC
- World Bank, 1991. *Managing Development: The Governance Dimension*. Washington, D.C.
- World Bank, 1997a. *Helping Countries Control Corruption*. Washington, D.C.
- World Bank, 1997b. *World Development Report*. Washington, D.C.:
- Zavelberg, Dr. H. G., June 1995. *Legislatures and Performance Auditing*, Symposium of the OECD on Performance Auditing and Performance Improvement held in Paris.

The mission of WBI is to help World Bank clients and staff acquire new development knowledge and skills through a variety of courses, seminars, and other learning events. It designs programs on topics related to economic and social development for governments, nongovernmental organizations, and other stakeholders. The Institute produces and disseminates publications and electronic information products that support these objectives.

*For information on WBI
publications write to:*

Publications

WBI

The World Bank

1818 H Street, N.W.

Washington, D.C. 20433

Tel: (202) 473-6349

Fax: (202) 522-1492

Visit us on the World Wide Web at:

<http://www.worldbank.org/wbi>

Stock No 37133