

INTOSAI



INTERNATIONAL ORGANIZATION OF SUPREME AUDIT INSTITUTIONS  
ORGANISATION INTERNATIONALE DES INSTITUTIONS  
SUPERIEURES DE CONTROLE DES FINANCES PUBLIQUES  
INTERNATIONALE ORGANISATION DER  
OBERSTEN RECHNUNGSKONTROLLBEHÖRDEN  
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ENTIDADES FISCALIZADORAS SUPERIORES

المنظمة الدولية للاجهزة العليا للرقابة والمحاسبة

## XIX INCOSAI

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### Mexico Accords

Accords de Mexico

Abkommen von Mexiko

Acuerdos de México

اتفاقيات مكسيكو

XIX INCOSAI  
MÉXICO 2007

INCOSAI 2007 SECRETARIAT

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## Mexico Accords

### FOREWORD

The technical themes to be discussed at the XIX INTOSAI Congress, as well as the SAIs that would lead discussion of these themes, were determined at the 55th meeting of the Governing Board.

In view of the fact that the Congress is an optimum forum for countries to share their experiences, the problems facing them and solutions implemented to overcome them, members of the Governing Board decided to approve two technical themes that are at the forefront of current auditing and financial management issues; and at the same time have far-reaching impacts for our organization, at the national and INTOSAI community level.

Thus the following themes were selected for the Congress:

Theme I. "Management, Accountability and Audit of Public Debt"; and

Theme II: "Performance Assessment Systems Based on Key Indicators"

The Theme Officers for the XIX INCOSAI were the SAIs from the following countries:

#### Theme I

Chair: Germany  
 Vice-Chair: Canada  
 Moderator: United Kingdom / Brazil  
 Rapporteur: Venezuela / China  
 Substitutes: Zambia / Yemen  
 Technical Liaison: Mexico

#### Theme II

Chair: United States of America  
 Vice-Chair: India  
 Moderator: Peru / South Africa  
 Rapporteur: New Zealand / Tunisia  
 Substitutes: St. Kitts and Nevis / Poland  
 Technical Liaison: Mexico

The debt policies currently implemented in many member countries confirm that high public debt levels impose severe constraints on financial policies, leading to risks of currency devaluation and economic and social crises.

Recently, the issue of public debt has gradually become more serious in many member countries, and in some cases it represents over 100% of GDP. Public spending exceeds current revenue and

the gap is generally covered through public borrowing. Furthermore, in many countries, public debt gives rise to questions of intergenerational burden-sharing.

By selecting the theme: “Management, Accountability and Audit of Public Debt”, the XIX INCOSAI paved the way for analysis and discussion of the professional capacities required of today’s SAIs to monitor public debt levels, review debt strategies and audit public debt management from the standpoint of budget and efficiency issues; as well as to contribute to actively shaping the economic and social environment of future generations. To address this theme, the Bundesrechnungshof of Germany prepared the Principal and the Discussion Paper. These documents take a broadly-based approach to the subject. By pointing out the potential range of the activities and requirements, options for further development are indicated, thus enabling SAIs to effectively cope with the future challenges associated with public debt auditing.

Further, within the current international environment, SAIs must respond to the rapid pace of change in every aspect of life, including accountability and transparency in public management.

A system of key national indicators is an essential tool to assist SAIs in providing information on government performance, by measuring the progress toward planned results, assessment of conditions and trends and exchange of information on complex issues.

Likewise, key national indicators can prompt a healthy dialogue among citizens and decision-makers.

A key national indicator system can also provide improved information to national legislative bodies, thereby facilitating their work in budget allocations, policy decisions and government oversight.

To address this theme, the United States General Accounting Office (GAO) prepared the Principal Paper for Theme II: “Performance Assessment Systems Based on Universally Accepted Key Indicators” which described key national indicator systems and provided national and international examples such as the Millennium Development Goals set forth by the United Nations, the European Structural Indicators system of the European Union, and the Organization for Economic Co-operation and Development (OECD) FactBook.

The Theme II Principal Paper explores possibilities for co-operation between SAIs and INTOSAI, as well as with other organizations, for purposes of development and use of these indicators. It also proposes methods for using national indicators and the potential roles of SAIs in this respect, in addition to the opportunities, risks and challenges involved.

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**XIX INCOSAI Mexico 2007**  
**Theme I**  
**Management, Accountability and**  
**Audit of Public Debt**

## THEME I

### Summary and Recommendations on the theme of Management, Accountability and Audit of Public Debt

#### INTRODUCTION

1. Public debt issues are a concern in many countries. In most of these countries the public debt problem does not seem to abate. Compared to the respective GDP, the trend of indebtedness is to some extent worrying. This may have many causes: the degree of economic development, lack of economic resources, low levels of state revenue and the quality of the management and governance of public expenditure and revenues. In many cases the gap between revenues and government spending is closed by continuous public borrowing. Numerous countries are faced with the problems of implicit debt which refers to future government liabilities such as recurring capital project costs and social security liabilities. In the longer run, implicit debt will be a major burden on the sustainability of public budgets.
2. A high debt level and a debt structure that is sub-optimal in terms of debt instruments, maturities/terms, currency and interest rates may make a government vulnerable to major fluctuations in the markets or vis-à-vis individual institutional creditors. This may lead to the devaluation of the currency and economic and social crises. Moreover, a high level of public debt strongly reduces the discretionary scope for fiscal policy decisions, if large portions of the public revenue are needed for debt service (interest payments and debt repayment) and are thus no longer available for funding other policies. Public debt often gives rise to questions about intergenerational burden-sharing.
3. Democratic government requires that public debt and its medium- and long-term effects be made transparent. This is necessary to help ensure accountability and facilitate a better-informed public debate.

#### How INTOSAI HAS ADDRESSED THESE PROBLEMS

4. INTOSAI has increasingly addressed public debt issues especially since the late 1980's. The XIIIth INCOSAI in 1989 dealt with the theme "Auditing the Public Debt" with regard to the role of SAIs, audit scope, audit methodology and audit techniques. In 1995, the XV INCOSAI adopted the guidelines on the definition and preparation of reports on public debt. In 1998, the XVIth INCOSAI approved additional guidelines for determining and measuring both the real and contingent public debt. INTOSAI's Public Debt Committee (PDC) which was set up in 1991 has done extremely valuable work on this complex audit theme. The PDC has supported SAIs in coping with their task of auditing the public debt by providing guidance in various forms.

5. By choosing the theme "Management, accountability and audit of public debt", INTOSAI intends to highlight a key challenge of governments and to point out how SAIs may be able to improve their audit work in this field.

### TASKS OF SUPREME AUDIT INSTITUTIONS

6. The powers and responsibilities of SAIs are determined by the legal and political framework of each country. The nature and scope of audit work and the form of reporting depend essentially on this framework. Furthermore, the audit activities are governed by the image SAIs have of themselves. When the SAIs' mandate does not encompass auditing state debt, Supreme Audit Institutions should ask the legislature to extend their auditing rights. Despite these national differences, it is possible to formulate the following principles for the work of SAIs.
7. The audit of the public debt should address not only internal administrative issues. Going beyond that, it should take into account the budgetary and fiscal environment and the interrelations between the public debt, financial markets and creditors.

The audit scope is thus not limited to verifying the regularity of government operations but also takes into account whether funding of public expenditure from borrowing is sound and borrowing costs kept to a minimum, while bearing risks in mind. Auditing also covers the economy, efficiency and effectiveness of credit-financed measures and their benefits for future generations.

Within the scope of their respective powers and responsibilities, SAIs should act in such a way that the results of their audits encourage governments to follow sound practices of debt management.

8. Furthermore, the audit of the public debt should be proactive, that is taking the initiative and with a view to the future.
9. The audit of the public debt should also address the medium and long-term sustainability of public finance, the vulnerability of a government's debt status, its capacity for debt service and the role of SAIs in limiting and avoiding public debt.
10. Due to its complexity, this audit theme imposes high professional requirements on SAIs and could be supported by auditing and assessment standards.

### RESULTS AND RECOMMENDATIONS

11. The INCOSAI held in Mexico discussed the whole range of public debt issues and developed the following results and recommendations:

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**Recommendation 1**

12. *In order to ensure transparency, SAIs should play a proactive role in auditing public debt and debt management. The extent to which an SAI can do this would depend on its mandate, its responsibilities and the specific circumstances of its country. Audit work can also include timely and full reporting to Parliament about the impacts and risks inherent in debt management and the financial system. Reliable data are an essential prerequisite for transparency.*

13. Public debt is the result of policy decisions. The extent to which SAIs audit the results of such decisions depend on their respective powers and responsibilities. Notwithstanding this question, the audit of public debt, apart from generating audit findings relating to the past and the current situation, is largely characterised by its proactive approach. Governments are responsible for supplying reliable data.

14. The SAIs are inter alia encouraged to

- take an active role in ensuring that debt policy and debt management systems are well designed,
- provide timely and full information about the implications and risks of public debt by reporting to parliament or parliamentary bodies,
- encourage governments and public administration to give high priority to risk management and to take adequate regard of the potential risks inherent in debt management and the financial system (such as a crisis in the banking system or the currency system) and this is also true for contingent liabilities and implicit debt,
- support government and the public administration in publishing improved financial data to help them assess the risk associated with public debt more accurately,
- examine whether financial service regulators in their audits comply with national and international regulatory standards,
- assess whether the administration has the required core skills in debt management; this applies particularly when public sector activities are outsourced.

**Recommendation 2**

15. *Within their national legal framework, SAIs should further develop their audits of public debt by ensuring full disclosure of public debt and public assets.*

16. As a rule, government is obliged to inform Parliament about public finance and public debt. The SAIs audit fiscal transparency including public debt. In many INTOSAI member states there are statutory ceilings for borrowing. These ceilings can be set as an absolute amount or a certain percentage of GDP. In other member states public borrowing may not exceed public capital expenditure in a financial year. Generally speaking, a country's public debt should not exceed its financial strength. In future, SAIs could encourage and support the preparation of a regular report on the financial status of the public sector that compares public assets with public debt.

17. The SAIs are inter alia encouraged to

- advise government and the public administration regarding how they should fully record and report the level of debt and the status of assets; this also includes securitised debts passed on to third parties or trustees;
- evaluate the national trend of indebtedness and the national status of assets,
- evaluate capital expenditure in order to assess the development of public assets in comparison to public debt,
- further develop or follow standards for recording and evaluating public assets and public debt.

### **Recommendation 3**

18. ***SAIs should, within their mandate and national legal framework, monitor the development of implicit public debt and provide timely information on potential implications of a high or strongly rising implicit public debt level.***

19. The implicit public debt refers to future government liabilities, e.g. recurring capital project costs and obligations from social policy programmes. In the longer run, implicit debt could be a major burden on the sustainability of public budgets. In most of the INTOSAI member states, public debt does not include the issues of implicit debt. Some states have made provisions for determining contingent liabilities and the way they should be paid for. Some SAIs have expressed concern over the long-term fiscal positions because of the implications of an ageing population, increasing dependency ratios and the resulting burdens on the funding of retirement benefit and health care obligations for the long-term sustainability of public finances. It is therefore an important task for SAIs to audit and report on the medium- and long-term effects of public debt.

20. The SAIs are inter alia encouraged to

- monitor the development of implicit public debt,
- influence the government and the public administration to identify and disclose the amount of implicit debt; this concerns in particular expenditure for social policy programmes.
- consider, in the course of their audit work, the amount of future recurring costs caused by government actions,
- influence the government and the public administration to take appropriate steps for coping with implicit public debt.

### **Recommendation 4**

21. ***SAIs should consider conducting performance audits of public debt and debt management as a key objective. This could include examining the impacts of budgetary decisions, identifying and assessing risks and reporting on their potential implications.***



22. Performance audit is the examination of the economy, efficiency and effectiveness of government projects, programmes or organisations, including decision-making processes, that are designed to accomplish improvements of government operations. Most SAIs have a statutory right or obligation to express an annual opinion on the financial statements. Many of them also review debt management practice by means of periodic performance audits. Performance audits of public debt and debt management are often not given a high priority. Due to considerable repercussions of the future debt service (payment of interest and repayment of principal) on the public budgets concerned, performance audits in this field will acquire increasing importance in the future.
23. The SAIs are inter alia encouraged to
- analyse the cost of borrowing and the risks of debt management when carrying out performance audits,
  - consider forecasts of interest expenditures in the light of various risks, e.g. changes in interest rates or exchange rates,
  - promote the development of long-term fiscal indicators.

#### **Recommendation 5**

24. ***When auditing public debt, SAIs should ensure that their staff have the requisite skills and expertise, and where appropriate, that SAIs have access to specialized knowledge. Because of the complex audit challenges in ever changing environments that require initial and continued staff training programmes, SAIs should ensure an adequate adjustment of organisational structures in order to accomplish their objectives.***
25. The audit of public debt and debt management is a highly complex issue. In many cases, there are points of direct contact with financial and capital markets. On the whole, this audit theme imposes specific requirements on auditors of SAIs. Special knowledge in the fields of economics and business management are indispensable for auditing in this field. If public debt management has moreover been out-sourced to institutions that may recruit staff from the private sector and specialists, this further enhances the demands placed on the SAIs' auditors. Auditors should professionally be on a par with the staff of the institutions involved in debt management. This requires appropriate initial and continued training programmes.
26. The SAIs are inter alia encouraged to
- assign experienced auditors to public debt and debt management work,
  - assign auditors possessing expert knowledge in economics and business administration,
  - consider, on a case by case basis, whether the temporary reliance on external expertise may sustainably enhance audit findings,
  - tailor initial and continued staff training to the rapidly changing situation on the money and capital markets,

- adapt their organisational structures within the limitations set by their national legal and political framework to better meet changing needs in auditing public debt.

### **Recommendation 6**

27. ***SAls should enhance their expertise to assess implications and risks of new financial instruments.***

28. Audit scope ranges from financial audits to the audit of debt strategies with regard to aspects of risk and performance. Auditors are facing challenges, if new financial instruments (e.g. interest or currency swaps) are used in debt management. Among other characteristics, these instruments can be used as safeguards against fluctuations of interest rates and exchange rates. However, they are always connected with risks. The SAls therefore must be capable of assessing such risks and the pertaining risk management systems.

29. The SAls are inter alia encouraged to:

- build up or enhance their expertise to assess market, interest-rate, credit, liquidity and operative risks in public debt management,
- examine the indicators for the vulnerability of public budgets and financial management as well as the scope for the management of assets and debts,
- monitor the use of new financial instruments, e.g. interest-rate and currency derivatives and examine the procedures in place for identifying, monitoring, controlling and mitigating risks,
- make sure, when selecting staff, that they have adequate practical experience in the fields of financial markets or banking and provide them with continual training in the field of financial innovations.

### **Recommendation 7**

30. ***The INTOSAI's Working Group on Public Debt (formerly Public Debt Committee) should continue to make significant contributions towards further developing the audit of public debt and its management. Given the frequent changes in this difficult and complex field and the high demands faced in auditing public debt and its management, the Working Group should adjust its activities continuously in response to any new arising challenges.***

31. Given the increasing significance of public debt issues for external government auditing, the Working Group on Public Debt (formerly Public Debt Committee) was set up in October 1991. It supports SAls in performing their function of encouraging true and fair reporting about public debt and sound debt management. It is developing guidelines and papers on fundamental issues to support SAls in auditing public debt management.

32. The Working Group is inter alia encouraged to

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- further enhance its profound expertise in auditing public debt and public debt management, adjusting it in response to changing environments in financial markets and international borrowing conditions,
- develop standards for audit and assessment;
- operate a network for continually sharing information on lessons learned, audit methods and pertinent publications,
- promote discussions and sharing expertise between SAIs and international organisations;
- promote exchange of expert staff among the SAIs,
- continue to support the training of auditors for auditing public debt and its management.

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**XIX INCOSAI Mexico 2007**  
**Theme II**  
**Performance Assessment Systems**  
**Based on Key Indicators**

## THEME II

### Performance Assessment Systems Based on Key Indicators

#### INTRODUCTION

As the pace of change accelerates in every aspect of life, national governments across the world are faced with new and more complex performance and accountability challenges that they alone cannot address. One tool available to help address these challenges and achieve national outcomes is the development of key national indicators to measure progress toward desired national outcomes, assess conditions and trends, and help communicate complex issues. Key national indicators can be seen as part of efforts to align the programs and policies of governments with the outcome-oriented results (e.g., government transparency and anti-corruption, literacy rates, mortality rates, environmental sustainability) that citizens care about. Given their roles and responsibilities within national governments in ensuring performance and accountability, Supreme Audit Institutions (SAIs) can also play a role in identifying ways to address key national challenges. SAIs, as neutral institutions, can contribute to the use of key national indicators in a wide variety of ways including validating the reliability of and auditing the indicators, thereby helping to ensure the appropriate and effective use of the information in decision making, public education, and debates. A set of key national indicators could be an indispensable tool to help SAIs' performance audits by providing factual information on government performance. Recognizing the importance of nations developing and using key national indicators, as well as their potential usefulness to SAIs in carrying out their mandates, the INTOSAI Governing Board decided at its 54th meeting in November 2005 to adopt this as a Congress theme for 2007.

To address this theme, the United States Government Accountability Office (GAO)—as theme chair—prepared the Principal Paper, which described key national indicator systems and provided national and international examples of such systems. The Theme II Principal Paper also described ways in which key national indicators can and are being used and potential roles for SAIs to undertake in connection with key national indicator systems. The Principal Paper included a list of questions that asked about SAIs' experiences with key national indicators; how they could effectively work with key national indicators; the opportunities, risks, and challenges related to this work; and how SAIs and INTOSAI could best work with each other and other organizations with regard to developing and using key national indicators. With the able support of Mexico, the Congress host, the Principal Paper was translated and distributed to INTOSAI's 186-member SAIs in September 2006.

A total of 34 SAIs prepared Country Papers that addressed the questions raised in the Principal Paper. The Country Papers describe work SAIs have conducted in relation to the design, development, adoption, and auditing of key national indicators. The theme chair analyzed the Country

Papers and summarized and synthesized this information into the Discussion Paper for Theme II. The Country Papers, along with the resultant Discussion Paper, also served as the basis for a presentation by the theme chair, Comptroller General of the United States, David M. Walker, and discussions during the Theme II plenary sessions. For this effort, the SAI of the United States was ably assisted by its fellow Theme II Officers: India served as Vice Chair, Peru and South Africa served as moderators, and New Zealand and Tunisia served as rapporteurs.

## DISCUSSION RESULTS

The INCOSAI delegates discussed a number of issues concerning key national indicators and their roles and specific experiences conducting work related to key national indicators. For example, delegates shared their very valuable experiences in using performance information—including in some cases key national indicators—to inform and guide government budget and planning decisions, particularly related to National Development Plans. The delegates discussed the roles SAIs could play in facilitating and assessing hierarchical, inter-related sets of performance indicators which include:

- Global indicators (e.g., United Nations' Millennium Development Goals),
- National indicators (e.g., environmental, health, education, social welfare),
- State/public sector indicators,
- Entity/government agency indicators, and
- Service, program, or policy indicators.

SAIs could examine (and use in their performance audits) the indicators at any level as well as the inter-relationships and alignment among levels.

The delegates emphasized that SAIs can play a critical role in contributing to design, development, adoption, and continuous improvement of key national indicators while at the same time maintaining their independence in order to later audit the information produced by the indicators. However, and most importantly, there was unanimous agreement among the delegates that SAI independence must be upheld and SAI credibility must be maintained regardless of the role, if any, assumed in working with key national indicators. At the same time, many delegates noted that SAIs should seek to make positive contributions in this area as a way to enhance their value while managing any related independence risks. Although delegates discussed a wide range of issues concerning their roles and experiences in conducting work related to key national indicators, the following topics dominated the session discussions and reflected the points raised in the Country Papers. Underpinning all of these topics, however, was a central theme: an SAI's decision regarding whether and how to do work related to key national indicators must solely be an outgrowth of its unique situation, including the SAI's mandate and capabilities, and its national needs and priorities.

### SAI Roles Related to Working with Key National Indicators

The delegates discussed how SAIs can and have contributed through their audit and related work



to the design, development, adoption, continuous improvement, and auditing of key national indicators. Many SAIs stated that they could or have fulfilled one or more of the five roles described in the Principal Paper and elaborated below. The status of key national indicator efforts within its country, as well as an SAI's statutory authority, its institutional capacity, and the nature of the work influence the roles assumed, according to the delegates. The delegates also stressed that, irrespective of the roles assumed, the SAI's independence must be maintained and protected. In that regard, it is most likely that SAIs will be involved in auditing key national indicators, but may be involved in other areas as well depending on their mandates. During the discussion as well as in their Country Papers, delegates described how SAIs could and have maintained their independence while performing the various roles.

- Recognizing the value and importance of such indicators, some SAIs have identified the need for key national indicators within their countries. Given their various oversight, insight, and foresight activities, and their ability to bring together interested parties, SAIs can make a compelling case for the importance of developing and using such indicators and systems to assess the nation's position and progress in a particular area or overall. A consensus emerged that this role, in some cases, could exceed the SAI's mandate—potentially venturing into policy making; others noted that the SAI need not actively pursue and recommend the development of key national indicators. Rather, SAIs can point to key national indicators as one tool available to help governments address complex national challenges. SAIs can inform decision makers about the ways in which indicators can and are being used and allow them to decide whether developing such a system is warranted. SAIs could also describe the benefits and risks of developing and using such a system. For example, key national indicator systems can inform strategic planning, strengthen transparency, enhance performance and accountability reporting, facilitate policy analysis and program evaluation, and better inform the public in connection with key issues.
- As independent organizations, SAIs can play a particularly important role in contributing to selected education and promotion efforts in connection with key national indicators. As noted in the Principal Paper, achieving success in developing key national indicators and systems requires the combined efforts of many parties over an extended period of time. As nonpartisan, non-ideological and unbiased actors, SAIs can help bring together a variety of organizations and individuals and encourage them to stay focused on the important long-term project of developing reliable key national indicators and systems. In their Country Papers and during discussions, SAIs expressed concerns about a potential loss of independence and/or autonomy based on the nature and extent of their involvement in designing indicators. This could then hamper their ability to objectively audit these indicators in the future. Virtually all delegates viewed this as a very important caution: SAIs must not be—nor should they be seen as being—directly involved in selecting indicators; that is for policy makers and other political leaders to decide. Delegates suggested two ways to mitigate the perception of a loss of independence. SAIs could maintain their independence by providing only technical/expert advice during the development of indicators and not participating in the actual selection of indicators. Alternatively, another suggestion that was widely held was to not become directly involved during the indicator development phase (but to contribute to it indirectly through audit work) and perform an auditing role after development.

- SAIs can also assess the process used to develop the indicators and/or systems. By looking at the organizations and individuals involved in the development process and their particular roles, the SAI can help ensure that the process was balanced, provided appropriate opportunities for citizen engagement, and that the resulting indicators and/or system are useful. In addition, SAIs who have already performed this role stated that they also assessed how the indicator information is being reported and how accessible that information was to citizens and decision makers.
- A number of SAIs stated that they have or could audit the quality, validity, and reliability of the indicator information. SAIs could also comment on the relevance of the indicator information. In essence, these roles entail assessing the reasonableness and/or reliability of data produced by an indicator or system of indicators—a role with which many SAIs are already familiar based on their financial and/or performance audit work. In doing so, delegates stated that the SAI is able to provide reasonable assurance to policy makers that the information can be used to support decisions. Additionally, when the SAI identifies issues with the quality, validity, or reliability of this information, it can also assess how these issues could affect decision making. For example, the SAI could evaluate whether program executives are using a balanced set of measures to manage their programs and the alignment (or misalignment) of those program measures to national outcomes.
- Finally, SAIs could use indicators to assess and report on national progress. In their Country Papers, several SAIs stated that they have already used the indicator and other relevant information to provide a “report card” of the nation’s position and progress, in a particular subject area or overall. Delegates noted that this focused attention has led to improved results on a national basis. Over time, the SAI could also use this information to assess trends and compare the nation’s performance to those of others. In this regard, an SAI’s use of information on key national indicators was seen as different from, but nonetheless a natural next step for many SAIs that are increasingly undertaking performance audits. On the other hand, some delegates stated that they believed this role was outside their organization’s mandate. In these instances, delegates thought that defining targets and assessing progress towards them was more properly the role of elected officials. Should this be the case, the SAI could limit its involvement to synthesizing and summarizing indicator information to provide an overview of the nation’s performance, allowing decision makers to use this information make judgments about national position and progress.

### Knowledge, Skills, and Abilities

To be successful in these roles, the delegates noted that in many cases, there is a need to significantly expand the knowledge, skills, and abilities of their staff. As noted in the Country Papers, a majority of SAIs emphasized the need to build skills and knowledge in a number of technical areas important for work on indicators including statistics, information technology, economics, and accounting, as well as subject matter knowledge of key economic, environmental, social and cultural issues. Auditors working on key national indicators should have the analytical ability to look across the various issue areas, provide detailed perspectives on individual indicators and related data, such as data quality issues, and perhaps most importantly assess performance trends suggested by specific indicators and how government can work with partners from the private sector and non-

governmental organizations, both nationally and, as appropriate, internationally, to improve the nation's position and progress.

The different SAI roles have important implications for staff competencies, and therefore, for the training, development and recruitment of SAI staff. Delegates stressed that to be successful, SAIs must attract, develop, and retain staff with the right blend of talent and skills. This could, for example, require SAIs to recruit skills in measuring performance, determining data quality, or assessing information technology systems. SAIs also increasingly need to consider if they should contract for the specialized skills they need and how contract employees and permanent staff can be brought together to form effective partnerships.

SAIs working with other SAIs (through INTOSAI and other vehicles) should strive to provide and encourage staff training and professional development. Such initiatives could help realize staff potential and inform staff of new concepts, techniques, and methods to fulfill the various roles associated with the design, development, adoption, continuous improvement, and auditing of key national indicators.

#### Information Sharing

Many of the delegates emphasized the value of sharing knowledge and information about key national indicators, as well as their specific experiences and lessons learned, with SAIs worldwide. In this regard, the vital role that INTOSAI generally, and the Regional Working Groups in particular, and other cooperative arrangements among SAIs have played in recognizing and responding to SAIs' differing mandates was widely regarded as providing a foundation upon which additional efforts can be built. Delegates identified information that could be shared through a number of venues. For example, SAIs could share their experiences and lessons learned by participating in workshops, seminars, conferences, and events relating to key national indicators organized by international organizations, such as the United Nations (UN), Bretton Woods Institutions (e.g., the World Bank), the Organisation for Economic Co-operation and Development (OECD), regional organizations (e.g., the European Union), and civil society organizations. In addition, many SAIs identified specific roles they wished to see INTOSAI undertake to facilitate work with key national indicators, such as developing guidelines or standards for SAI involvement in this work and related reporting and auditing standards.

#### SAIs' Experiences with Measuring Their Own Performance

SAIs can use their own experiences with performance measurement to "lead by example" and inform broader efforts related to key national indicators. SAIs use a variety of indicators to measure their own performance. These include a number of input, output, outcome, efficiency and other measures. While it poses a considerable challenge to adopt and demonstrate best practice in internal management, many audit bodies have the advantage of being staffed by experts in the field and have a pool of knowledge on which to draw. Therefore, SAIs could highlight their successes and describe challenges they faced in measuring their own performance. However, the delegates also noted that there would be great value in sharing experiences and information related to SAI

efforts to measure their own performance, assess client satisfaction, and determine contributions to national outcomes and priorities. There was broad understanding that identifying good practice in SAI performance measurement has been a long standing issue for INTOSAI. Therefore, moving forward, efforts to share best practices in SAI performance measurement should be undertaken in close coordination with existing INTOSAI working groups that are working on this matter.

### Recommendations

Consistent with the overriding need of maintaining SAI independence and using the independent audit role as a foundation, SAIs should continue to demonstrate their vital interest in bringing about improvements in government performance and accountability. In some cases, this vital interest can be shown through work related to the development, adoption, continuous improvement, and auditing of key national indicators. However, and very importantly, any such efforts related to key national indicators must be sensitive to SAIs' widely differing mandates and capabilities, and differing national needs and priorities. Moreover, it was stressed that the following recommendations are for SAIs' consideration for possible application to their specific circumstances; at no point are these recommendations intended to impose additional mandates or requirements on SAIs. Against this background, the delegates offered recommendations in two areas: (1) matters for individual SAI's to consider and (2) a matter for INTOSAI as an institution.

#### I. Where possible, SAIs are urged to:

- Consider influencing the development of a legal framework which clarifies the roles and responsibilities of all involved parties in performance management and reporting.
- In countries currently without a system of key national indicators, SAIs could highlight the benefits and related risks of having such a system.
- To maintain independence, SAIs' work could provide policy makers with an understanding of the frameworks, standards, and good practices that will need to be in place to ensure good data to inform the development of key national indicators.
- By remaining independent during the design and development of key national indicators, SAIs could assess and audit the process used to develop the indicators and the system, and audit the quality, validity, and reliability as well as comment on the relevance of the indicator information.
- As a further step, SAIs could explore how this role and related work would provide assurance to citizens and decision makers that the development process results in information which is both useful and appropriately used by decision makers.
- Seek opportunities to build the needed institutional capabilities within SAIs in order to conduct work related to key national indicators. This includes, at a minimum, providing sufficient training and development, and deploying staff with the right blend of knowledge, talent, and skills.

- Cooperate in increasing the capabilities of other SAIs by sharing knowledge and lessons learned in working with key national indicators through exchanges and strategic alliances with other SAIs, the seven INTOSAI Regional Working Groups, and other international organizations.
- Consider establishing working relationships with civil society organizations that participate in activities related to the development and use of key national indicators to further information sharing and promote the various roles individual SAIs can perform related to developing and using key national indicators to promote government transparency, accountability, and effectiveness.

II. To facilitate information sharing among its member SAIs and to ensure their success in conducting the various roles related to working with key national indicators, INTOSAI should:

- Establish a working group within INTOSAI to:
  - ◊ Collect and disseminate information related to key national indicators, such as independence issues, best practices and lessons learned, benchmarking studies, audit practices and methodologies, and results from related audits and evaluations carried out by members. INTOSAI could disseminate this through a number of venues, including its Web site, articles in the International Journal on Government Auditing, brochures, working papers, seminars, workshops, and conferences or other events.
  - ◊ Work in close cooperation and coordination with INTOSAI's Regional Working Groups to reinforce the importance of these groups while at the same time helping to provide an informed context for any efforts to develop global or regional indicators that align with national indicators.
  - ◊ Make recommendations to the INTOSAI Professional Standards Committee related to developing and disseminating guidance and standards for SAIs' involvement with and use of performance information in general and key national indicators in particular.
  - ◊ Develop—in conjunction with the INTOSAI Development Initiative—related training for SAI staff to share knowledge and enhance skills and abilities.
  - ◊ Establish working relationships with other international organizations, for example the OECD, Bretton Woods Institutions (e.g., the World Bank), the UN, regional organizations (e.g., the European Union) and civil society organizations, involved in key national indicator efforts to further information sharing and promote the various roles SAIs can perform related to developing and using key national indicators to promote government transparency, accountability, and effectiveness.

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- INTOSAI should further direct the Transparency and Accountability Working Group to gather and disseminate illustrative examples of performance measures individual SAls use to assess their own performance and progress and assure their own accountability on behalf of their nations' citizens.