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Lange Voorhout, The Hague



The pillars of integrity

INTRODUCTION

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

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

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

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

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

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

The ‘digital society’, with its virtually unlimited opportunities to collect, share and analyze electronic data, is yet another advent that profoundly changes the role of SAIs. As Saskia J. Stuiveling, the outgoing president of the Netherlands Court of Audit, said in her speech at the Congress of European Heads of SAIs in The Hague in 2014: ‘open data’ cause a revolution in accountability. She compared the digital society to an expedition into unknown territory, as “nobody can foresee in what direction developments will take us, where we will be in two to three years’ time – let alone ten to fifteen years’ time.”²² Therefore, she told her European colleagues, a “pioneer mindset” is needed, “to map a totally unknown territory.”²³

Leadership makes the difference

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

INTERNATIONAL ORGANIZATION OF SUPREME AUDIT INSTITUTIONS

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

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

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

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

For further information: www.intosai.org

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dealing with data

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

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

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

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

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

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

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

International support for SAIs

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

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

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

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

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can play an important role
in identifying waste.”*

Acknowledgements

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

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

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