INTERNATIONAL CONSORTIUM ON GOVERNMENTAL FINANCIAL MANAGEMENT

“IDENTIFYING AND ELIMINATING IMPEDIMENTS TO THE MISSIONS OF SUPREME AUDIT INSTITUTIONS CAN ENHANCE TRANSPARENCY, OVERSIGHT AND ACCOUNTABILITY, HELP ELIMINATE FRAUD, WASTE, AND ABUSE, AND ENCOURAGE INVESTMENT”
PUBLIC SECTOR FINANCIAL MANAGERS BELIEVE GOVERNMENTS SHOULD:

• HAVE COMPETENT FINANCIAL MANAGEMENT AND A HEALTHY ECONOMY.

SUPREME AUDIT INSTITUTIONS ARE IN HARMONY WITH FINANCIAL MANAGERS BY HELPING TO:

• ASSURE ACCOUNTABILITY, TRANSPARENCY AND OVERSIGHT, AND FIGHT FRAUD, WASTE AND ABUSE.
THIS PRESENTATION HIGHLIGHTS SAI IMPEDIMENTS AND HOW THEY MAY LIMIT SAIS’ EFFORTS TO:

• ASSURE TRANSPARENCY, OVERSIGHT AND ACCOUNTABILITY,

• ELIMINATE FRAUD, WASTE AND ABUSE,

AND

• CONTRIBUTE FULLY TO PUBLIC SECTOR FINANCIAL MANAGEMENT GOALS
HOW DO WE KNOW THERE ARE IMPEDIMENT?

DATA WAS COLLECTED FROM:
- ABOUT 100 SAIS FROM THE ASIAN, AFRICAN, NORTH AMERICAN, SOUTH AMERICAN, AUSTRALIAN AND EUROPEAN CONTINENTS.

THE DATA DISCLOSED THAT:
- SAIS ENCOUNTERED AND CONTINUE TO EXPERIENCE IMPEDIMENTS, AND
- THE IMPEDIMENTS THREATENED OR LIMITED THEIR ABILITY TO CARRY OUT THEIR MISSION.
VERY SERIOUS SAI IMPEDIMENTS WERE OBSERVED—FOR EXAMPLE:
• LEGISLATIVE INDIFFERENCE
• THREATENING LEGISLATIVE ACTIONS
• FLAWED ENABLING LEGISLATION
• UNDERFUNDING TO CONCEAL FRAUD
• FRAUD AND MISCONDUCT ALLEGATIONS
• FALSE IMPRISONMENT OF AN OFFICIAL
• LEGAL CHALLENGES TO AUTHORITY
• SIGNIFICANT OPERATIONAL DEFECTS
IMPEDEMENTS CAN DAMAGE AN SAI

AN EXAMINATION OF ONE SAI BY AN ACADEMIC INSTITUTION INDICATED THAT SOME OF THE SAI'S BAD PRACTICES MAY HAVE:

- DAMAGED THAT SAI'S CREDIBILITY,
- REDUCED THE ACCURACY AND THOROUGHNESS OF ITS WORK, AND
- HARMED ITS RELATIONSHIPS WITH AUDITED ORGANIZATIONS.

QUESTION: HOW CAN THAT SAI BE RELIED ON TO CONTRIBUTE TO PUBLIC SECTOR FINANCIAL MANAGEMENT?
SAI IMPEDIMENTS WERE CORRELATED WITH LESS THEN COMPETITIVE ECONOMIC INDICATORS—FOR EXAMPLE:

- A COUNTRY’S REAL ECONOMIC GROWTH RATE,
- THE PERCENT OF GDP DERIVED FROM THE INDUSTRIAL SECTOR, AND
- INVESTMENT FROM OUTSIDE SOURCES, E.G. FOREIGN DIRECT INVESTMENT.

COUNTRIES WITH BETTER FUNCTIONING SAIS APPEARED TO HAVE MORE COMPETITIVE ECONOMIC INDICATORS.
ECONOMIC INDICATOR:
REAL ECONOMIC GROWTH RATE

NATIONS WITH REAL ECONOMIC GROWTH RATES THAT WERE EQUAL TO OR GREATER THAN 5 PERCENT HAD WELL MANAGED SAIS,

WHEREAS.
NATIONS WITH REAL ECONOMIC GROWTH RATES OF LESS THAN 5 PERCENT HAD LESS WELL MANAGED SAIS.
ECONOMIC INDICATOR: PERCENT OF GROSS DOMESTIC PRODUCT FROM THE INDUSTRIAL SECTOR

The gross domestic product from the industrial sector in nations with better managed SAIS was equal to or greater than 30 percent,

WHEREAS

The gross domestic product from the industrial sector in nations with less well managed SAIS was less than 30 percent.
ECONOMIC INDICATOR: INVESTMENT BY A GLOBAL 500 COMPANY

A GREATER NUMBER OF GLOBAL 500 COMPANIES WERE LOCATED IN NATIONS WITH WELL MANAGED SAIS,

WHEREAS

NATIONS WITH LESS WELL MANAGED SAIS HAD FEWER GLOBAL 500 COMPANIES LOCATED WITHIN THEIR BORDERS.
THE INTOSAI SECRETARY-GENERAL INDICATED THAT SAIS LACKED:

- LEGAL, FINANCIAL, OPERATIONAL AND ORGANIZATIONAL INDEPENDENCE,

- A MANDATE TO AUDIT GOVERNMENT PERFORMANCE.

- AN OPPORTUNITY TO PROVIDE A FORMAL AUDIT OPINION ON GOVERNMENT ACCOUNTS, AND

- SUPPORT FOR CAPACITY BUILDING.
THE WORLD BANK ALSO BELIEVES SAIS MUST HAVE BROADER MANDATES, STRONGER INSTITUTIONAL DESIGN AND:

- FREE FROM POLITICAL INFLUENCE,
- ABLE TO MONITOR GOVERNMENT PROGRAMS,
- UNRESTRICTED ACCESS TO AUDITEES’ INFORMATION, AND
- INDEPENDENT WITH FUNCTIONAL AUTONOMY.
OTHER WORLD BANK CONCERNS REQUIRE SAI-LEGISLATIVE ACTION TO HELP ASSURE THAT SAIS ARE:

- BETTER KNOWN TO THE PUBLIC.
- ADEQUATELY BUDGETED, AND STAFFED BY COMPETENT, TRAINED AND WELL PAID STAFF.
- ABLE TO INTERACT WITH OTHER STATE ENTITIES THAT FOSTER TRANSPARENCY AND FIGHT CORRUPTION.
- ABLE TO CONDUCT PERFORMANCE AUDITS.
SOME SAIS HAVE ACTED TO ELIMINATE IMPEDIMENTS BUT MORE NEEDS TO BE DONE

SOME SAIS HAVE:

- ESTABLISHED INTERNAL AUDIT AND/OR INSPECTORS GENERAL UNITS,
- WORKED CLOSELY WITH LEGISLATORS TO REVISE, IMPROVE OR CORRECT EXISTING LEGISLATION,
- SOUGHT ASSISTANCE FROM SAI EXPERTS AND ACADEME,

AND

ESTABLISHED WORKING RELATIONSHIPS WITH INTOSAI AND OTHER SAIS.
THE INTERNATIONAL FINANCIAL MANAGEMENT COMMUNITY ACKNOWLEDGES THAT:

➢ IMPEDIMENTS OBSTRUCT SAIS’ ABILITY TO FUNCTION AND MUST BE ELIMINATED.

➢ BY ELIMINATING IMPEDIMENTS SAIS WILL BE MORE EFFECTIVE IN HELPING TO DEVELOP:
  ○ SOUND FINANCIAL MANAGEMENT SYSTEMS,
  AND
  ○ A HEALTHY ECONOMY THAT IS INVITING TO FOREIGN DIRECT INVESTMENT.
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