

BMB - LDK
Programme Monitoring Consultants to the
Office of the Minister of State for Administrative Reform
Beirut - Lebanon

Memorandum

To: Mr. Atef Merhi, IDU Acting Director, OMSAR

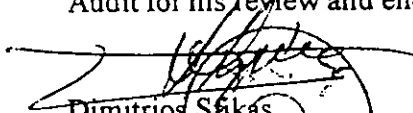
From: Dimitrios Sfikas, PMC Team Leader

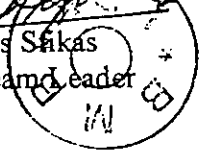
Cc: Dr Raymond Khoury, TCU Director, OMSAR
Mrs Roula Kabbani, EU Project Coordinator, OMSAR

Date: 21 March 2001

Subject: Court of Audit

I am pleased to attach herewith for your approval the final version of the Policy Framework of Administrative and Organizational Development for the Court of Audit. Following your approval please arrange further transmission to the Head of the Court of Audit for his review and endorsement.


Dimitrios Sfikas
PMC Team Leader



Policy Framework of Administrative and Organizational Development

for

The Court of Audit

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Beirut
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1. Introduction

In the framework of the Assistance to the Re-establishment of the Lebanese Administration Programme (ARLA Programme) the Court of Audit has established a short-term operational plan for performance improvement and modernization. The first activity stated in this plan is the drafting of a general policy framework document for administrative development of the Court of Audit. This administrative and organizational development document deals with the following subjects:

- (i) Formulation of new mission, role and functions of COA.
- (i) Formulation of the short term and long term objectives of the COA organization.
- (ii) Description of new tasks in terms of specific objectives and scope of activities.

The final outcome of this activity will be an approved policy framework for administrative development of the COA.

The present document is the accomplishment of the above mentioned task.

Administrative/organizational development in the context of performance improvement and modernization of the Court of Audit comprises the following.

- (i) Reformulation of legal framework in the context of a new audit methodology and policy as to financial statements audits/financial management audits (regularity audit) and performance audits.
- (ii) Provided the Government Policy vision on which role the Court of Audit should play, the Court of Audit will take measures and actions based on a adopted business model for the audit processes in the following areas:
 - Functional development.
 - Organizational development.
 - Human resource management and development.
 - Information and communication development.

In this present document the above stated areas are developed in the light of an anticipated vision of the Government as to the position of the Court of Audit related to modern audit requirements, methodology and standards as to the external audit function in the Lebanese Public Administration.

A general business model for the new concept of auditing is presented as final paragraph of this document.

2. Main Findings and Solutions/Recommendations

During the last quarter of 2001 a fact finding survey has been conducted by a Task Force. The main findings and possible solutions and/or recommendations are summarized below. The possible solutions and recommendations indicate the direction of the intended administrative and organizational development aimed at performance improvement and modernization.

The main aspects of administrative and organizational development are (i) legal framework, (ii) functional development, (iii) management and organization, (iv) audit work processes, (v) human resource management and development, (vi) computerization of the audit/control processes.

The immediate intended results of the administrative development will be

- (i) *Strengthening of the functional, organization and financial independence of the Court of Audit through amendments of basic laws.*
- (ii) *Managerial and organizational changes, urgently necessary if the Parliament passes a law on the abolishment of pre-audit of the COA.*
- (iii) *To ensure that the staff are competent, capable and committed to help guarantee that effective audit work is produced in conformity with high standards and norms.*
- (iv) *Enhancement of audit ability of public administration and state enterprises.*
- (v) *Promotion of proper accounting systems in public sector administration.*

Summary of Main Survey Findings and Solutions and Recommendations

Aspects of Administrative /Organizational Development	Main Findings based on Fact Finding Survey	Solutions/Recommendations
1. Legal Framework	1. The COA forms a part of the executive branch and is therefore not fully independent. 2. Many decisions as to pre audit control taken by the COA are overruled by the Council of Ministers.	1. Review and amend the basic laws which will strengthen the functional, organizational and financial independence of the COA. In particular the independency in the field of dealing with its own human resource management matters. 2. A greater degree of financial independence could be achieved by allowing the COA to send its budget estimate directly to the Parliament instead through the Government.

<p>2. Functional Development</p>	<p>1. Most of the audits currently carried out by the COA are of the legality type. The COA intends to develop a performance audit capability.</p> <p>2. The Committee of Annual Control on Public Autonomous Agencies at the COA is not functioning according to decree 4517. The Committee is in charge of auditing the performance of autonomous agencies, which are subject to decree 4517.</p>	<p>1. The COA should undertake the full range of public sector external auditing, covering, financial audits (regularity audits) and performance audits.</p> <p>2. To start performance audit it is suggested that for the near future it should primarily focus on the audit of financial management in the public sector.</p> <p>3. It is crucial that the legal mandate of the COA includes the responsibility to audit and to focus on the quality of internal financial control systems of public administrations.</p> <p>4. Measures and actions should be taken to review the legal basis and to revitalize this committee. It should be considered to revitalize the activities of the committee with the assistance of external public accountants.</p>
<p>3. Management and Organization.</p>	<p>1. Work is not divided among the chambers on a sectoral basis. Each chamber studies the transactions of certain ministries, or agencies, or municipalities based on a decision taken by the Head of the COA upon the approval of the COA Council.</p> <p>2. The structure lacks a Training unit and an ICT unit. The COA has prepared draft decrees to establish such units.</p> <p>3. The Court of Audit is facing many obstacles as (i) many vacancies for auditors, controllers and administrative staff; (ii) lack of professional knowledge of accounting systems at public administrations</p>	<p>1. Alternative organizational structures should be considered. Experiences of Court of Audits in other countries should be taken into account.</p> <p>2. A Training unit and an ICT unit should be established in the structure of the common service.</p> <p>3. Major managerial and organizational changes are foreseen if the Parliament passes a law on performance audits.</p> <p>4. The COA will need to develop a capacity and capability to undertake audits of financial information systems.</p> <p>5. It is recommended to develop an emergency human resource development and management program for the COA. The implementation of this program should be assisted by external assistance in this field. See also item 5 of this diagram : Human resources</p>

		management and development.
4. Audit/ Control Work processes	<p>1. The COA is not fully complying with modern international auditing standards, such as some of the 15 Guidelines for implementing the INTOSAI auditing Standards.</p> <p>2. The absence of an entry-balance formula for the accounts of 1991 and the subsequent years that is agreed upon between the COA and the MOF is complicating control on accounts.</p> <p>3. Many public agencies do not have properly established accounting systems.</p> <p>4. The administrations do not send their accounts to the COA on time. This fact negatively affects the speed of post judicial control on accounts.</p> <p>6. The COA is occupied by pre-audit control at the expense of the post-audit. The COA is overburdened with transactions that should be subject to pre-audit control.</p>	<p>1. The COA should up date audit methods and manuals, but the value of manuals must not be over estimated. Manuals must be based on good practice and experience, perhaps using the pilot audits as a learning and development tool.</p> <p>2. The Ministry of Finance should play an active role in establishing proper accounting systems in public sector institutions.</p> <p>3. In the framework of an effective and efficient public expenditure management system the function of the internal account in ministries should be strengthened and modernized.</p>
5. Human Resource Management and Development	<p>1. There is no training unit in the Court of Audit that assesses training needs and follows up on training programs.</p> <p>2. The COA staff does not have expertise on financial auditing and performances</p>	<p>1. The COA needs to conduct, with some expert assistance, a training needs assessment and training gap analysis as a basis for drawing up a training plan that will deliver and help training demands for professional internal and external training.</p>

	auditing.	<p>2. Ensure training is used as a tool to aid change and development. Link training to concrete work situations and the introduction of new methodologies for audit.</p> <p>3. The COA should develop a graduate trainee programme to help attract high quality persons to the the COA in order to meet the expected growth in professional staff members over the next few years.</p> <p>4. The COA should develop its own human resource management system.</p>
<p>6. Information and Communication Technology.</p>	<p>1. The computerization of the audit process is underdeveloped.</p> <p>2. The COA wants to be connected to the Ministry of Finance to have access to the files and accounts of the Ministry. The MOF suggests to send the documents on CD ROM. The COA considers that it has the full right to have access to the accounts and files of the MOF.</p>	<p>1. The COA needs to computerize its work methods, especially with regard to control on accounts.</p> <p>2. The computerization of the financial data and documents transfer from the Ministry of Finance and the audited administration is required for efficient and effective audit.</p> <p>3. The COA needs audit interrogation software (e.g. Winidea)</p>

3. Legal Framework Development.

The legal framework of a COA is defined on different levels – Constitution, laws, regulations and procedures. The Constitution and laws form the institutional base while the regulations, rules and procedures have the objective of ensuring that the responsibilities of the COA are exercised in the most effective way.

The COA should have a solid, stable and applicable legal base that is laid down in the Constitution and the Audit Law is complemented by regulations, rules and procedures.

The following legislative changes will be considered.

Amendment of the Court of Audit Law.

It is proposed to give the Court of Audit the power to exercise performance audit. This kind of control is not stipulated explicitly in the current law. The law should give the COA the power to exercise such a control on the basis of economy, efficiency and effectiveness.

Amendment of some other legal text that are directly related to the Court of Audit Law.

- Amendment of the Public Accounting Law due to some new kinds of contracts and deals that are not stipulated in the Law.
- Amendment of the system that governs the submission of accounts to the COA (Decree No. 3489-27/12/1965) after the issuance of the new accounting system (Decree No. 10388-9/6/1997).
- Issuance of a decree that defines the scope and procedure of the control of the COA on the institutions, companies and organizations stipulated in sections 4 and 5-article 2 of the COA Law.
- The development of a public accounting law for all municipalities.
- The development of a unified system for the submission of accounts to the COA by the municipalities.
- The development of a general accounting system for the autonomous agencies taking into consideration the distinction between the administrative agencies and the exploitative agencies.
- Amendment of the regulations that was issued by Decree No. 405 NI-21/3/1943 due to the development of public works' contracts and the emergence of new ways for contracting out and execution.

After setting up the legal framework, the main priorities are building up audit capacity and, maintaining audit quality.

4. Mandate and Mission

According to the law of establishment (Decree Law 82/1983 and amendments), the Court of Audit is an administrative court with financial jurisdiction. It supervises public financial resources and the treasury funds by controlling the use of these resources and its compliance with the valid laws and regulations; decides the appropriateness and legality of transactions and accounts; and puts violating employees on trial.

The Court of Audit is administratively connected to the Prime Minister.

Public administrations; municipalities identified by a ministerial decree; public agencies, controlling agencies; institutions, organizations and companies with which the State or municipalities, or public agencies have financial relationships are subject to the control of the Court of Audit.

The Court of Audit exercises administrative and judicial control.

Administrative Control

The administrative control is divided into pre and posterior control.

The main objective of the pre control is to verify the correctness of transactions and their conformity with the budget and regulations. Pre-audit is exercised on expenditures and revenues transactions that exceed a certain ceiling.

The posterior control aims at assessing the financial transactions from the time expenditures were reserved to the time they were executed and recorded in the accounting books.

The mandate of the Court of Audit has mainly a judiciary control nature. The performance audit function is underdeveloped in comparison with the pre- control function.

Judicial Control

In addition to the administrative audit control, the Court of Audit exercises a posterior judicial control: (i) legal control on accounts; (ii) control on financial officers.

The mandate and mission of the COA with respect to the judicial control of accounts should be restated as follows:

- (i) The COA should undertake the full range of public sector external auditing, covering financial management audits and performance audits.
- (ii) To start performance audit it is suggested that for the near future the COA should primarily focus on the financial performance audits.
- (iii) It is crucial that the legal mandate of the COA includes the responsibility to audit and to focus on the quality of internal control systems of public administrations and accounting systems.

The new or revised mission statement of the COA could be:

The Court of Audit conducts independent audits and examinations that provide objective information, advice and assurance to Parliament. The Court of Audit promotes accountability and best practices in government operations

5. Functional Development.

The current functions and associated tasks of the Court of Audit are based on the fact that the Court of Audit is an administrative court with financial jurisdiction and its task is to safeguard public and treasury funds, and to take legal actions against individuals who violate laws and regulations regarding the management and use of public funds.

This formulation of tasks should be extended to a wider function of auditing and improving the performance of the State and its associated bodies. To this end, it provides the government, the Parliament and those responsible for the bodies audited with information based on its audits. Such information consists of audit findings, conclusions and recommendations on organization, management and policy.

It is assumed that the COA will develop new functions as to performance audit and financial management audit.

In the context of administrative development of COA, the concept of financial audit function and performance audit function are described as follows:

The *financial audit function* contributes to the achievement of the audit objectives of the COA by carrying out financial audits, with the assurance that the annual accounts of the public sector truly and fairly reflect the financial situation and processes existing in the state.

In the course of financial audit the task is to examine and analyze if the accounts truly reflect the financial situation of the entities accountable and if the transactions have been performed in compliance with relevant laws and regulations. First of all, the compliance of the expenses with the state budget is examined.

The *performance audit function* contributes to the achievement of the audit objectives of COA by carrying out performance audits of the public sector, to the development and use of the result-based management principles and sound management practices in the public sector. Its task is to contribute to the economic, efficient and effective use of public resources for the implementation of public administration functions.

In the course of performance audits, the economy, efficiency and effectiveness of the management and organization of work of the public sector entities is being evaluated.

In executing the new audit functions, the following **basic principles** should be applicable:

1. Responsibility of Ministers.

The basic principle of the audits conducted by the COA is the *responsibility of ministers* and, in the case of audits of bodies connected with central government, of the boards of these organizations. Each minister is responsible for the efficiency of the receipts and expenditures relating to his or her budget, and must account for them to Parliament. The way in which this general ministerial responsibility is fulfilled depends on the extent to which policy implementation has been delegated to autonomous administrative authorities or lower tiers of government. This is an important determining factor in the audits conducted by the COA. The responsibility of the boards of bodies connected with central government for how the public funds they receive are spent or how their statutory duties are performed determines the scope of the audits.

It is the responsibility of the Minister of Finance to lay down in the Act on Public Accounts rules for the organization of financial management. In addition, the Minister of Finance has to draw up regulations and issue instructions laying down requirements to be met by the accounting system.

2. Freedom to select audit area.

The Court of Audit is largely free to determine the areas covered by its performance audits. Complete assessment of efficiency is impossible in view of the size of the audit field. This means that the Court of Audit has to devote a great deal of attention to the selection of audit areas. A selection strategy, partly based on the expected added value of an audit, is therefore essential. The Court of Audit's mission is a major determining factor in the selection process.

3. Use of preliminary audits.

In its audits, the COA makes maximum use of the information gathered by or for auditees and of their own audits (preliminary audits). As well as preventing duplication of work, this ties in with auditees' own responsibility for monitoring efficiency. The first step in the audit is therefore to obtain an insight into the manner in which this responsibility is fulfilled. The desire to make maximum use of the findings of the Ministry of Finance audits and the audits of the audited administration means that the Court of Audit has to assess how these findings have been established. This is known as a review.

6. Organizational Development

The main new element of the administrative development process of the COA is to assess and improve the functioning of central government and connected bodies. To that end, it provides the government and the Parliament and those responsible for the audited bodies with information based on its audits. This information consists of audit findings, opinions and recommendations on organization, management and policy.

In the light of this objective the organizational development should contribute to the realization of the following objectives:

The COA should have the functional, organizational, operational and financial independence required to fulfill their tasks objectively and effectively.

The COA should develop the technical and professional proficiency of their staff through education and training based on a thorough assessment of needs.

In order to strengthen the COA organization in this respect, it is necessary to develop actions and measures on

- (i) Development of audit training programmes
- (ii) Development of audit methodology, planning and reporting.
- (iii) Development of information systems supporting audit processes.

The establishing of a training unit and an IT support unit for the audit process is a priority which should be effected as a first step in the process of organizational development. Recruitment of highly qualified persons in the respective fields should be undertaken under the operational plan for performance improvement and modernization. Description of tasks and responsibilities will be implemented as foreseen in the operational plan.

The above mentioned units will play a major role in the first stage of the administrative/organizational/functional development of the COA.

The first stage of development is establishing of the performance audit and financial management audit as new functions in the organization of the COA.

7. Development of a Training programme

The ultimate objective of the COA training programme will be:

The COA should ensure that their staff are competent, capable and committed to help guarantee that effective audit work is produced in conformity with (international) standards and practices.

In order to achieve this objectives, the COA should emphasize:

1. Establishment of a flexible training policy, laid down in its internal rules or procedures and based on a thorough assessment of all training needs;
2. Creation of a unit which co-ordinates and provides technical, professional and other training (it could include or be closely linked to the development of auditing methodology);
3. Organization of a regular training programme, based on needs assessment (including assessment of the organization's needs, analysis of needs of particular positions and analysis of the individual's needs);
4. Training (internal or external) should be considered in the following areas: auditing methodology, finance and budget, economics, law, languages, training

- for trainers, management, communication, information technology, traineeships and other specific areas according to the particular needs of the SAI;
5. Professional training should be part of the auditor's career development, lead to appropriate professional qualifications or certification in the disciplines required by the COA, and, wherever possible, be linked to national professional qualifications of appropriately high standing;
 6. Audit managers should plan in such a way as to provide sufficient training time for auditors.

8. Information and Communication Technology Development.

ICT is an integral part of the performance improvement and modernization planning objectives of the COA.

The ICT objective aims at the accomplishment of the following targets

- (i) Computerization of audit reporting process.
- (ii) Use of ICT in the field of audit processes.
- (iii) Computerization of information exchange between COA and Ministry of Finance and respective audited bodies.

The COA needs an ICT infrastructure (intranet) in order to make efficient and effective use of specialized software in the field of information exchange and audit software.

The ICT Operational Planning activity which is foreseen in the operational plan should at least contain the following sections:

1. Present Situation: a complete presentation of the organization, including organizational structures, institutional and functional mechanisms, general strategy, ICT infrastructure etc.
2. Developing an ICT Strategy
3. ICT Projects specifications
4. System – Logical – Functional Architectures
5. Evaluation of various models
6. Human Resources Management and Development Issues (Motivation, training, awareness raising, etc.).
7. Re-engineering of processes and operations and re-structuring and re-forming institutional and executive structures and mechanisms.
8. Project Phases – Time Schedule
9. Action Plan

10 Framework of Development Audit Process.

The structure for the development of the audit process is given on page 16.

The following explanation to this development structure is given below:

The primary audit process consists of the following sub processes. Each sub process has its own characteristics.

- (i) *Development of an audit policy.*
- (ii) *Formulation of an audit strategy.*
- (iii) *Establishing of an audit implementation plan*
- (iv) *Reporting on audit findings.*
- (v) *Evaluation of audit findings.*

A. Audit Policy & Strategy: Selection and Planning

Each year the Court of Audit makes a choice from a wide range of potential audits. It is based on the policy framework laid down by the Board, which indicates the areas or types of audit on which emphasis should be placed in the coming year. On basis of all these considerations, the Board finalises the audit programme. The areas selected are then developed in an operational annual plan, containing the audit schedule and the requisite capacity.

B. Preparation

In the preparatory phase, the auditors flesh out the audit areas specified in the operational annual plan for each audit. For that purpose, they carry out a preliminary audit in which they study files and hold general talks with relevant officials. An audit proposal is then drawn up, indicating potential focal issues, possible audit questions, suitable methods and techniques, possible audit results, and the necessary personnel and other costs. It also indicates the standards to be applied, and provides the framework for the implementation of the audits. The audited bodies are informed of the general features of the audit proposal, especially the special focus of the audit, the standards to be employed and the timetable.

C. Implementation.

After the Court has approved the audit proposal, the public administration concerned receives further notification of the audit. This may include information on the individuals or departments which the auditors would like to speak and the procedure to be followed. They obtain their information by examining archives, holding interviews, conducting surveys, or visiting external locations. When the auditors feel that they have collected sufficient data to provide cogent answer to the auditing questions, they draft a provisional report of findings. The principle requirement to be met by this document is to provide a clear picture of the audit results. The report contains the factual findings but do not contain any policy-related conclusions or administrative opinions and recommendations. The audit team is responsible for verifying the factual accuracy of the report of findings, visiting the audited body in question.

D. Reporting

A clear distinction should be drawn in the audit process between the audit phase (culminating in the report of findings) and the reporting phase. The Board assesses whether the findings correlate with proposed opinions and recommendations. The reports shall present the facts and their assessment in a objective, clear manner. The audited organizations shall comment on the findings of the COA., and shall indicate the measures taken as a result of the audit findings. The COA has a right and the duty to follow up the conclusions which arise from the audit findings and the subsequent actions taken by the audited organizations. The audited organization has the right to appeal against audit findings. The appeal should be treated carefully and formally. Regulations should cover procedures related to such cases.

E. Self-evaluation

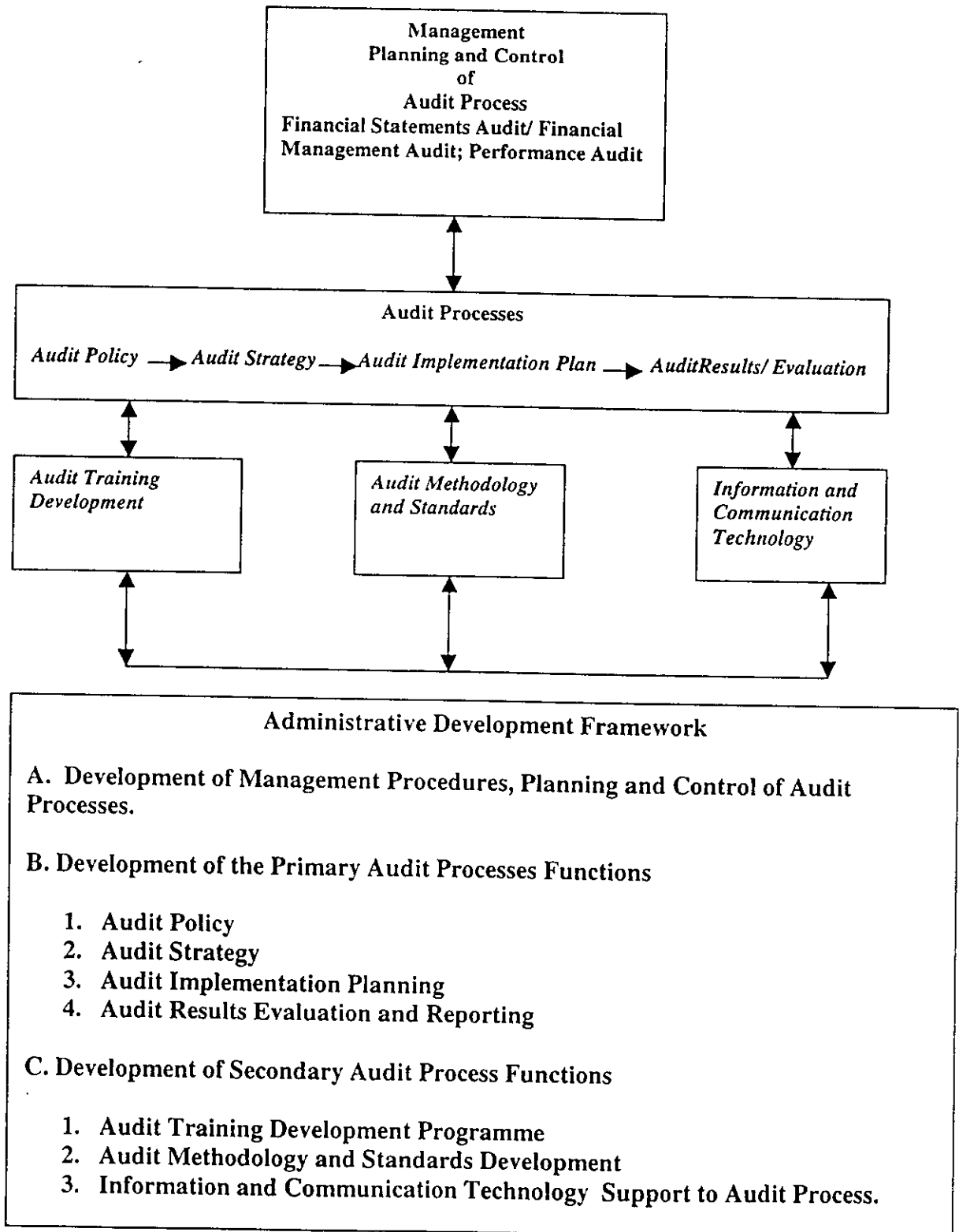
The system of evaluation means that, after the publication of an audit, the audit team assesses the quality of the audit product and process. These assessments are discussed up to the highest management level, both individually and on basis of an analysis of the results. The aim of the self-evaluation is to initiate an internal learning process of the quality of product and process. It also lays the basis for internal and external accountability. Three "quality clusters" are distinguished in the assessment: (i) strategic product quality: (ii) technical product quality: (ii) process quality.

Strategic product quality relates to the objective that the Court of Audit wishes to assess and improve the functioning of Government. The basic principle is that each audit should contribute to the achievement of this objective.

For the development of the above given description of the primary audit process, it is necessary to develop and structure the following support functions in the organization of the COA. It is highly important that the primary audit process has an efficient and effective interface with these support functions.

- (i) Audit training
- (ii) Audit methodology and Standards
- (iii) Information and communication technology.

Framework of Development for Audit Process



Republic of Lebanon

Office of the Minister of State for Administrative Reform

Center for Public Sector Projects and Studies

(C.P.S.P.S.)

10. Main Interventions for Administrative Development.

This paragraph comprises the main interventions required for the establishing of a modern and well functioning Court of Audit. Most of the interventions have been elaborated in the previous paragraphs.

1. *The COA should have a solid, stable and applicable legal base that is laid down in the Constitution and the Audit Law is complemented by regulations, rules and procedures.*

2. *The COA should have the functional, organizational, operational and financial independence required to fulfill their tasks objectively and effectively.*

The COA should, within the legal framework, be free to determine the subjects of its audits, auditing methods and the contents of the report.

The Constitution and laws should state that the COA staff are protected against outside influence.

Independence demands that the financial resources needed for the fulfillment of the COA's mandate should be made available. The COA should have the right to address Parliament to request additional funds if it considers the budget insufficient. The COA should solely be responsible for managing its budget and accountable for the use of resources provided, and its annual accounts and activities should be audited by a parliamentary committee or an independent external body appointed by the Parliament.

The COA should be free to decide on the nature, timing and extent of its audit tasks and reports. Although it is admissible that minimum reporting requirements are specified in the law and that the COA may undertake audits on Parliament's instructions, the COA should enjoy a very high degree of autonomy and freedom of initiative.

The COA should have the right to report directly to Parliament and to make reports public.

The COA should be free to make recommendations and observations and send them to Parliament, the Government and audited ministries and agencies. COA reports assist the executive branch by drawing attention to deficiencies in management and by recommending improvements.

3. *The COA should have powers and means that are clearly stated in the Constitution and the law to audit all public funds, resources and operations, regardless*

of whether they are reflected in the national budget and regardless of who receives or manages these funds, resources and operations.

The State auditing responsibilities should extend over the entire financial management of the State. This idea has become increasingly important with the growth of the State's private law activities and the increase in the international funding. In case the COA does not have the necessary power to cover all the audit fields, it should report on the difficulties and negative consequences and it should make proposals on the necessary changes.

4. *The COA should undertake the full range of public sector external auditing, covering both regularity and performance audits.*

a) The above principle should be laid down in the Constitution and law, and its application is to be defined in internal regulations, procedures and audit manuals. Regularity auditing includes evaluation of compliance with the laws, regulations and principles and, equally importantly, financial auditing as an attestation of financial accountability. Performance auditing (value for money auditing) covers three kinds of audit: an audit of economy achieved as a result of sound management principles and practices; an audit of the efficient use of of the auditee's financial and non-financial resources; and an audit of effectiveness of results achieved in relation to the audited entity's objectives.

b) The effective implementation of regularity and performance audits is dependent not only on the adoption of international auditing standards, but also on several legal provisions:

- The law should clearly define the types of audit to be carried out by the COA and their consequences: regularity and performance audits, reports, opinions, recommendations, accountability, certification of accounts, jurisdictional powers, publicity, etc.
- The COA should be allowed to use experts, either from public administration, universities, private companies or consultant firms.
- Auditing internal (management) control systems and contributing to their development are effective instruments for improving performance evaluation and assuring better audit results.

c) After setting up the legal framework, the main priorities are building up audit capability and, maintaining audit quality. This includes:

- Development of the COA's own auditing policy and standards, which serve as a basis for developing methodologies aligned with internationally accepted policies and standards.

- Selecting certain auditors for specialization in regularity and performance audit tasks, and improving staffing policies.
- Maintaining audit quality, which means the establishment of measures to ensure quality control (or supervision) and quality assurance, which are to be laid down in regulations, rules and procedures.

5. *The COA must be able to report freely and without restriction on the results of their work. Reports should be submitted to Parliament and should be made public.*

The reports shall present the facts and their assessment in an objective, clear manner. The audited organizations shall comment on the findings of the COA, and shall indicate the measures taken as a result of the audit findings. The COA has a right and duty to follow up the conclusions which arise from the audit findings and the subsequent actions taken by the auditee. The auditee has the right to appeal against audit findings. The appeal should be treated carefully and formally. Regulations should cover procedures related to such cases.

The COA should define its policy on access to documents held by the COA. This policy, which will be published, should state how documents could be obtained.

6. *The COA should formally adopt, promulgate and disseminate auditing policies and standards. Auditing standards should be applied on a consistent and reliable basis to a COA's work to ensure that audit work is of an acceptable quality and competence. The COA should therefore develop auditing manuals and detailed technical guides to help promote the practical use and achievement of the standards.*

7. *The COA should ensure that their human and financial resources are used in the most efficient way to secure the effective exercise of their mandate. To this end, COA management will need to develop and institute appropriate policies and measures to help guarantee that the COA is competently organized to deliver high-quality and effective audit work and reports.*

On the basis of its mandate, the COA management should develop and implement flexible instruments in the form of regulations and procedures on a wide range of subjects to ensure that the COA functions as an organizational unit. Topics to be covered are: management rights and obligations, the decision-making process, the structure of the COA, administration of the COA and financial management, personnel policy, code of ethics, audit policies and procedures, etc. COA management should develop these instruments and ensure their dissemination to all personnel and their effective and consistent application, monitoring and amendment of them on a timely basis.

Appropriate internal control should be applied to individual audits to ensure compliance with designated auditing standards and with related auditing manuals and technical guides. A formal process of review of work should be set out in auditing manuals.

8. *The COA should ensure that their staff are competent, capable and committed to help guarantee that effective audit work is produced in conformity with international standards and practices.*

The COA should adopt policies and procedures to recruit personnel with suitable qualifications. Appointment should be based on an open and transparent recruitment process with known rules and criteria.

The audit staff is traditionally built on a strong base of accountants, economists and holders of a law degree, but auditing and other COA responsibilities require experts in other areas. It is advisable that the COA provide a number of compulsory training courses for the new recruits.

Due to the multi disciplinary and great variety of expertise needed for each concrete study, COA can resort to the services of external consultants on a contractual basis. There should be provision supported by a law that allows the COA to use such services.

The auditors should have their special status, clearly defined by the law, which should guarantee stability of employment and independence, compatible salaries and career development possibilities.

The independence, powers and responsibilities of a COA place high ethical demands on the COA and its staff. The COA should have its own code of ethics and conduct that should cover such subjects as impartiality, morality, integrity, respect, objectivity, communication and team-working ability.

9. *The COA should develop the technical and professional proficiency of their staff through education and training based on a thorough assessment of needs.*

The above idea requires a creation of a unit which coordinates and provides technical, professional and other training. Training can be internal or external to the COA in areas like auditing methodology, finance and budget, economics, law, languages, training for trainers, management, communication, information technology, etc. Professional training should be part of the auditor's career development. The COA should ensure that training is followed up and monitored on a permanent basis by the management, which is directly responsible for the training. Evaluation and analysis of the achieved results must be carried out.

10. *The COA should focus on the development of high-quality, effective internal (management) control systems and accounting systems in audited entities.*

Internal (management) control refers to the organization, policies and procedures used to help ensure that government programs achieve their intended results; that the resources used to deliver these programs are consistent with the stated aims and objectives of the organizations concerned; that programs are protected from waste, fraud and mismanagement; and reliable and timely information is obtained, maintained, reported and used for decision-making.

How can the development of internal control be encouraged by the COA?

It is crucial that the legal mandate of the COA includes the responsibility to audit and to focus on the quality of internal control systems. The COA can play the following roles:

Develop systematic and specific tests and evaluations of the reliability and effectiveness of internal control systems.

It is recommended:

- To focus on quality systems approaches instead of individual transactions;
- To include recommendations in reports regarding the implementation and performance of internal control and internal audit bodies;
- To introduce a more cooperative way of implementing the audit, including discussion with auditees regarding their own internal control standards.
- Establish a law that states the management's responsibility for building up, maintaining, and developing an effective internal control system, the main role of the COA being to test its functioning in the following ways: participating in the development and promulgation of internal control standards (eg. by the provision of opinions on financial regulations).
- Collaboration in different kinds of comprehensive development work, for example developing different pieces of guidance on auditing (planning, collecting evidence, reporting, etc.) and developing training programs for internal auditors or inviting them to the COA's own training courses.
- Check that the COA has the right to access the plans and reports of internal audit bodies, and that these can be used in the COA's planning of the audit. The COA can be empowered: to encourage acts of coordination of plans and harmonization of criteria between internal audit bodies and the external audit.
- To assess the quality of the internal audit at ministerial level.
- To establish cooperation in the actual audit work.