

UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

# *Internationalizing and Modernizing the Accountability Profession*

**The Honorable David M. Walker  
Comptroller General of the United  
States**

**The Chartered Institute of Public  
Finance and Accountancy (CIPFA)**

**March 26, 2007**

---

GAO-07-723CG



# The Need for Good Governance, Transparency, and Accountability

Good governance, transparency, and accountability are critical in:

- The private sector, to promote efficiency and effectiveness in the capital and credit markets, and overall economic growth, both domestically and internationally
- The public sector, for the effective and credible functioning of a healthy democracy, and in fulfilling the government's responsibility to citizens and taxpayers
- Both sectors, to support a healthy economy that provides economic opportunities and benefits to citizens

Sorting out the needs—as well as the effective and appropriate governance and accountability mechanisms for different sectors and types of organizations—will be essential, both on a domestic and international scale

# GAO's Mission

GAO's role is to support the Congress in carrying out its constitutional responsibilities and to help improve the performance and assure accountability of government for the benefit of the American people

We do this in four fundamental ways:

- **Oversight**—preventing and detecting fraud, waste, abuse, and mismanagement
- **Insight**—making government more efficient and effective
- **Foresight**—examining the role of government
- **Adjudication**—bid protest resolution, legal opinions (e.g. appropriations law)

# SERVING THE CONGRESS AND THE NATION GAO'S STRATEGIC PLAN FRAMEWORK

## MISSION

GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

### THEMES

### GOALS & OBJECTIVES

Changing Security Threats

Provide Timely, Quality Service to the Congress and the Federal Government to . . .  
. . . Address Current and Emerging Challenges to the Well-being and Financial Security of the American People *related to . . .*

- Health care needs
- Lifelong learning
- Work benefits and protections
- Financial security

- Effective system of justice
- Viable communities
- Natural resources use and environmental protection
- Physical infrastructure

Sustainability Concerns

. . . Respond to Changing Security Threats and the Challenges of Global Interdependence *involving . . .*

- Homeland security
- Military capabilities and readiness

- Advancement of U.S. interests
- Global market forces

Economic Growth & Competitiveness

Help Transform the Federal Government's Role and How It Does Business to Meet 21st Century Challenges *by assessing . . .*

- Roles in achieving federal objectives
- Government transformation

- Key management challenges and program risks
- Fiscal position and financing of the government

Global Interdependency

Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization *in the areas of . . .*

- Client and customer satisfaction
- Strategic leadership
- Institutional knowledge and experience

- Process improvement
- Employer of choice

Societal Change

Quality of Life

Science & Technology

## CORE VALUES

Accountability

Integrity

Reliability

# Illustrative Examples of GAO's Work to Modernize Accountability and Reporting

- Leading strategic planning and coordination efforts with major accountability organizations around the world (e.g., INTOSAI, GWG) and domestically (e.g., NIAF and DWG) that include oversight, insight, and foresight dimensions
- Enhancing federal financial reporting (e.g., social insurance, restricted revenues, fiscal sustainability, generational equity, and performance) and pursuing publication of a summary annual report
- Promoting the modernization of the accounting/reporting models (e.g., IFAC, FASB, GASB, FASAB) and other assurance models (e.g., IAASB)
- Modernizing Generally Accepted Government Auditing Standards (Yellow Book)

# Illustrative Examples of GAO's Work to Modernize Accountability and Reporting (cont'd)

- Creating the U.S Auditing Standards Coordinating Forum (i.e., GAO, PCAOB, ASB), which among other efforts, develops strategies for overcoming challenges and barriers to modernizing the auditing profession in the U.S.
- Monitoring implementation of the Sarbanes-Oxley Act and considering whether reform elements similar to those in Sarbanes-Oxley make sense for the federal government
- Pursuing the design and adoption of key national indicators

# GAO'S Key Accountability Partnerships

## International

- International Organization of Supreme Audit Institutions ( INTOSAI)
- Global Working Group (GWG)

## Domestic

- National Intergovernmental Audit Forum (NIAF)
- Domestic Working Group (DWG)

# Accountability Organization Maturity Model





# INTOSAI Strategic Plan



## INTOSAI STRATEGIC PLAN FRAMEWORK 2005 - 2010

### MISSION

INTOSAI is an autonomous, independent, professional, and nonpolitical organization established to provide mutual support; foster the exchange of ideas, knowledge, and experiences; act as a recognized voice of supreme audit institutions (SAIs) within the international community; and promote continuous improvement among diverse member SAIs.

### VISION

Promote good government by enabling SAIs to help their respective governments improve performance, enhance transparency, ensure accountability, maintain credibility, fight corruption, promote public trust, and foster the efficient and effective receipt and use of public resources for the benefit of their peoples.

### STRATEGIC GOALS

#### ■ **Goal 1: Accountability and Professional Standards**

Promote strong, independent, and multidisciplinary SAIs by (1) encouraging SAIs to lead by example and (2) contributing to the development and adoption of appropriate and effective professional standards.

#### ■ **Goal 2: Institutional Capacity Building**

Build the capabilities and professional capacities of SAIs through training, technical assistance, and other development activities.

#### ■ **Goal 3: Knowledge Sharing and Knowledge Services**

Encourage SAI cooperation, collaboration, and continuous improvement through knowledge sharing, including providing benchmarks, conducting best practice studies, and performing research on issues of mutual interest and concern.

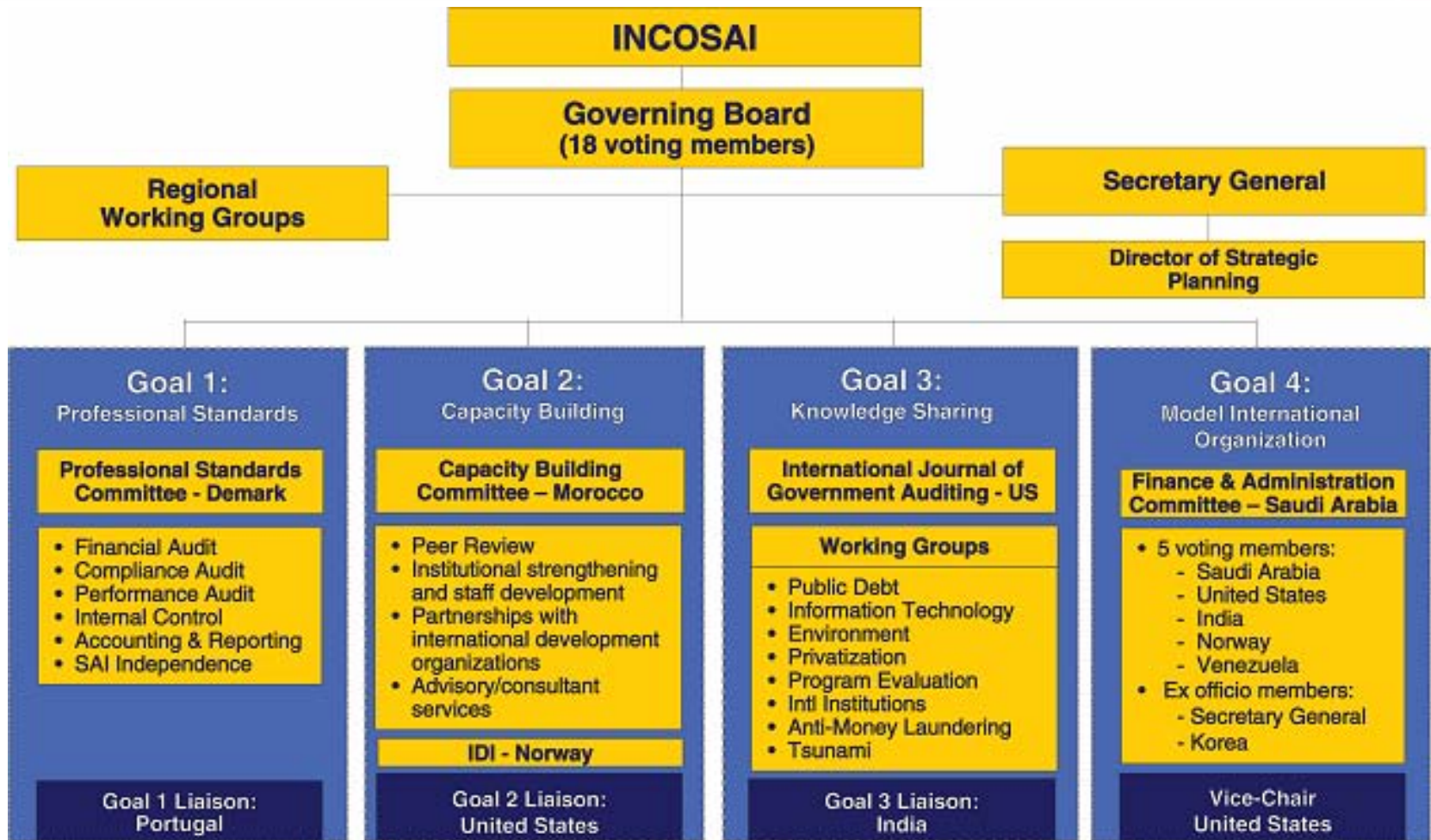
#### ■ **Goal 4: Model International Organization**

Organize and govern INTOSAI in ways which promote economical, efficient, and effective working practices, timely decision-making, and effective governance practices while maintaining due regard for regional balance and the different models and approaches of member SAIs

### CORE VALUES

INDEPENDENCE   INTEGRITY   PROFESSIONALISM   CREDIBILITY  
INCLUSIVENESS   COOPERATION   INNOVATION

# INTOSAI: Convening Supreme Audit Institutions



Source: GAO.

# GWG: Convening Auditors General From Around the World


## GAO established the GWG to:

- Discuss common issues and challenges
- Identify and share knowledge and best practices
- Learn from each other
- Leverage knowledge and expertise to benefit the broader INTOSAI community

## Global Working Group member countries

- Australia, Canada, Denmark, France, Germany, India, Ireland, Italy, Japan, Mexico, Morocco, Netherlands, New Zealand, Norway, South Africa, Sweden, United Kingdom, United States

# NIAF Strategic Plan



NATIONAL INTERGOVERNMENTAL AUDIT FORUM  
*Strategic Plan*  
2005 – 2010

### Mission

The National Intergovernmental Audit Forum (National Forum) is an association of audit executives from federal, state, and local governments. It exists to improve coordination, communication, and cooperation among its members, private sector firms, and other accountability organizations in order to address common challenges; enhance government performance, accountability, and transparency; and increase public trust.

### Themes

- Governance
- Fiscal constraints
- Human capital
- Homeland security
- Technology
- Interdependence
- Quality of life issues

### Strategic Goals

- Foster networking, dialogue, and collaboration on current and emerging issues of common interest within the accountability community
- Enhance the capability, credibility, capacity, effectiveness, and professionalism of audit organizations by advancing audit standards, sharing best practices, and emphasizing the importance of accountability within government and the audit profession
- Improve the Forum's outreach, management, and impact to assist members in transforming government operations

### Core Values

Collaboration	Professionalism	Integrity
---------------	-----------------	-----------

# NIAF: Convening Federal, State, and Local Auditors

GAO administers the NIAF to:

- Provide opportunities for federal, state, and local auditors to meet, discuss, and devise effective solutions for audit issues of mutual concern, thereby improving accounting and financial reporting in the government

There are also 10 regional forums. On even years there is a Biennial Conference in which the National and regional forums meet together

# DWG: Convening IGs and State and Local Auditors

- GAO established DWG to:
  - Discuss mutual challenges
  - Share experiences
  - Identify opportunities for collaboration with each other
  - Conduct selected DWG projects and promote other cooperative and coordinated efforts (e.g., Hurricane Katrina)
- Currently comprised of 6 IGs, 7 state auditors, and 6 local auditors

# Accountability Risks in the US Government Environment

In the U.S., government accountability professionals face many challenges:

- National and global change and a challenging fiscal outlook, including:
  - The re-emergence of large federal deficits
  - A deteriorating long-term fiscal outlook
  - The changing composition of federal spending
- Rising expectations for demonstrable results and enhanced responsiveness
- Current trends and challenges that have no boundaries
- The need to bridge an expectations gap in financial reporting, budgeting, and auditing

Our challenge is huge and growing bigger each year

# Definition of Waste

Waste involves the taxpayers as a whole not receiving reasonable value for money in connection with any government funded activities due to an inappropriate act or omission by players with control over or access to government resources (e.g., executive, judicial, or legislative branch employees, contractors, grantees, or other recipients)

Importantly, waste represents a transgression that is less than fraud and abuse and most waste does not involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, or inadequate oversight



# Examples of Waste

Illustrative examples of waste in the acquisitions and contracting area could include:

- Unreasonable, unrealistic, inadequate, or frequently changing requirements
- Failure to use competitive bidding in appropriate circumstances
- Failure to engage in selected pre-contracting activities for contingent events (e.g., hurricanes, military conflicts)
- Congressional directions (e.g., earmarks), and agency spending actions where the action would not otherwise be taken based on an objective value and risk assessment and considering available resources

# The Future Accounting/Reporting and Audit Reporting Model

**We need to review and revise the existing accounting/reporting model to reflect several dimensions:**

- Generic provisions
- Industry information
- Entity-specific information (i.e., value and risk)

**We need to recognize the difference between certain types of financial and other information:**

- Historical cost
- Readily vs. non-readily marketable assets
- Exchange vs. non-exchange transactions
- Projection information, including fiscal sustainability and intergenerational equity reporting
- Performance information

# The Future Accounting/Reporting and Audit Reporting Model

**We need to review and revise the existing audit reporting model to accomplish at least four objectives:**

- Recognize that the opinion should address whether the financial statements are fairly presented in all material respects and prepared in accordance with authoritative accounting principles (e.g., promulgated by FASB, GASB, FASAB, IFAC)
- Expand the auditor's report to include key value and risk-based performance and projection information over time and as appropriate
- Update the audit reporting model to link it with the new financial reporting model, and provide appropriate degrees of assurance for each type of information to improve value and reduce risk
- We need to move beyond “going concern opinions” to provide more timely and meaningful information to the users of financial statements in appropriate circumstances (e.g. US government)

**We need to ultimately go global in connection with all major accounting and audit matters**

**We need to coordinate domestic efforts in the interim (e.g., U.S. Auditing Standards Coordinating forum)**

# Proposed Changes in Social Insurance Reporting

- **FASAB recently issued a preliminary views (PV) document requesting public comment on proposals to change social insurance reporting**
- **The PV contains two views for improving social insurance reporting:**
  - **Primary View**
  - **Alternative View**
- **Two years away from a resolution**
- **This is a very important matter**

# Guiding Principles in Selecting a Proposal

Guiding Principle	Alternative View	Primary View
Recognize the difference between exchange and non-exchange transactions	Yes	No
Avoid recognizing a liability for scheduled benefits that are uncertain, unsustainable, and not legally binding	Yes	No
Recognize only costs for services provided in the current year. Future program costs (e.g., social insurance, defense) are not recognized	Yes	No
Recognize a liability for earmarked revenue (payroll taxes) not yet used to pay benefits	Yes	No
Report on affordability of social insurance and other federal programs and annual changes therein (match long-term costs and revenues)	Yes	No
Present information on intergenerational equity for social insurance and other federal programs	Yes	No

# GAO's Goals for Establishing Auditing Standards

- Develop high quality Government Auditing Standards that are well understood, highly regarded, widely used, and serve as a model for other environments, such as the private sector and other governments around the world
- Provide leadership in modernizing and transforming the accountability profession in the public and private sectors, both internationally and domestically
- Encourage the development of consistent, core, auditing standards for both the public and private sectors, in the U.S. and internationally, as appropriate
- Provide a foundation for an accountability profession that is effective, ethical, and well-aligned to meet the challenges of the 21st century

# GAO's 2006 Yellow Book Update

## Provisions updated relate to:

- Audit quality assurance, monitoring, inspection, peer review
- Ethics/professional judgment
- Expanding and clarifying the categories of non-audit services
- Reporting deficiencies in internal control for financial audits
- Auditor's responsibility for evaluating and disclosing financial statement restatements
- Evidence in performance audits
- Audit documentation
- Use of GAGAS with other standards (PCAOB, AICPA, IIA, IAASB)
- Clarification and "clean up"

# **GAO: Leading by Example to Transform Operations**

*(Past and Ongoing Activities)*

- **Clarified mission and vision**
- **Instituted core values: accountability, integrity, reliability**
- **Engage in strategic planning**
- **Realigned organizationally**
- **Implemented definitions of success**
- **Enhanced multi-tasking and matrix management**
- **Improved procurement, contracting, and acquisition**
- **Emphasize human capital**
- **Focus on information technology, knowledge management, and financial management**
- **Developed protocols to guide relations with clients and agencies**
- **Enhanced products and services and engaged constructively with agencies**
- **Partner with other accountability and “good government” organizations**



# The Four Phases of Strategic Planning

## Phase One: Organize the Process and Analyze the Environment

- Conduct a readiness assessment
- Plan the plan
- Conduct a stakeholder assessment
- Analyze the organizational mandate
- Analyze the SWOC and environment

## Phase Two: Identify and Analyze Strategic Issues

- Consider vision, mission, and values

## Phase Three: Develop Strategies and Action Plans

- Consider budgets, action plans, and strategies, as well as strategic issues, goals, and objectives

## Phase Four: Implement Strategies

- Evaluate and monitor implementation

# Way Forward: Focus on Maximizing Value and Mitigating Risk to Modernize Operations

- Matrix internally and partner externally to leverage resources and minimize duplication
- Recognize that professional service organizations must continually develop, attract, and retain high-quality staff
- Set realistic expectations with your client (e.g., protocols and portfolio management)
- Educate your client about long-term, adverse implications of budget cuts

# Way Forward:

## Focus on Maximizing Value and Mitigating Risk to Modernize Operations

- Identify core services and those that can be outsourced
- Determine which functions can be automated and which require people power
- Eliminate unnecessary layers, levels, and locations
- Streamline job processes
- Leverage technology
- Modernize human capital policies and practices to make them more market-based and performance oriented

# Key Leadership Attributes Needed for Challenging and Changing Times

**Courage**

**Integrity**

**Creativity**

**Partnership**

**Stewardship**

UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

# *Internationalizing and Modernizing the Accountability Profession*

**The Honorable David M. Walker  
Comptroller General of the United  
States**

**The Chartered Institute of Public  
Finance and Accountancy (CIPFA)**

**March 26, 2007**

---

GAO-07-723CG



---

## On the Web

Web site: [www.gao.gov/cghome.htm](http://www.gao.gov/cghome.htm)

---

## Contact

Paul Anderson, Managing Director, Public Affairs  
[AndersonP1@gao.gov](mailto:AndersonP1@gao.gov) (202) 512-4800  
U.S. Government Accountability Office  
441 G Street NW, Room 7149  
Washington, D.C. 20548

---

## Copyright

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.