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## Results of the Swedish National Audit Office's international development cooperation

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## Preface by the Auditors General to the English version of the report

This is a report on the Swedish National Audit Office's international development cooperation. It was sent to the Committee on Foreign Affairs in the Swedish Parliament in February 2015 and subsequently translated to English so that we may share it with international colleagues and stakeholders. The report contains an account of results achieved in the Swedish National Audit Office's nine bilateral and two regional cooperation projects. It builds on independent evaluations and our own regular follow-ups. We have also invited colleagues from the Office of the Auditor General of Norway to evaluate our working methods.

We see clearly in our cooperation projects how audit findings and recommendations are gradually having a greater impact, both through parliamentary actions and the measures taken by auditees, and through media attention.

International development activities are conducted in widely differing environments and cultures that often have in common that they are struggling with challenging political situations and corruption. Supreme audit institutions often play a central role in promoting effective and appropriate central government administration and preventing corruption and fraud. The Post 2015 international development agenda being prepared in the UN is expected to lead to increased demands and expectations from supreme audit institutions as they contribute to legitimate and effective public institutions through their audits. We have noted an increased demand for different forms of support in the development of supreme audit institutions to meet these demands.

International development cooperation is an important part of the Swedish NAO's remit. Through these activities we provide a clear contribution to the development of supreme audit institutions' capacity and ability to conduct audits and thus also to strengthen parliamentary control. Development cooperation contributes to broadening employees' competence and thus also to developing the national organisation.

We would like to underline that all cooperation is based on the partner's responsibility for its own development. Through a professional partnership the Swedish NAO contributes to that development, but the success achieved by our partners is theirs to be celebrated.

We look forward to continuing to share the Swedish NAO's competence and experiences to benefit sister organisations and colleagues around the world.

Claes Norgren

Margareta Åberg

# Abbreviations

AFROSAI-E	African Organisation of English-speaking Supreme Audit Institutions – a sub-regional cooperation organisation for supreme audit institutions in English and Portuguese speaking countries in Africa
CBC	INTOSAI Capacity Building Committee
CoA	Court of Accounts – Moldova’s Supreme Audit Institution
COPF	Parliamentary Committee for Oversight of Public Finances in Kosovo
Danida	Danish International Development Agency.
ENPI	European Neighbourhood and Partnership Instrument
EUROSAI	European Organization of Supreme Audit Institutions
GIZ	Gesellschaft für Internationale Zusammenarbeit – German central government implementing body in support of development cooperation policy
IDI	INTOSAI Development Initiative – Norwegian foundation that implements development initiatives within INTOSAI
IFMIS	Integrated Financial Management Information System
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards for Supreme Audit Institutions, developed by INTOSAI in several areas
JWGAA	Joint Working Group of Audit Activities – EU initiated cooperation for supreme audit institutions in candidate countries in the Balkans and Turkey
KOAG	Kosovo Office of the Auditor General
NAA	National Audit Authority of Cambodia
NAOT	National Audit Office of Tanzania
Norad	Norwegian Agency for Development Cooperation
OAGK	Office of the Auditor General of Kenya
OAGU	Office of the Auditor General of Uganda
OECD	Organisation for Economic Cooperation and Development
OECD/DAC	Development Assistance Committee (OECD)
PAC	Public Accounts Committee – a parliamentary committee that in some countries is the primary counterpart in parliament of the supreme audit institution
PEFA	Public Expenditure and Financial Accountability – tool to assess the state of a country’s system for public expenditure, procurement and accountability
PFM	Public Financial Management
PGD	Sweden’s policy for global development
SAACB	State Audit and Administrative Control Bureau of Palestine
SAI BD	Office of Audit for Public Administration of the Brčko District
SAI BiH	The Office for Auditing of Institutions of Bosnia Herzegovina
SAI FED	The Office for Auditing of Institutions in the Federation of Bosnia Herzegovina

SAI RS	The Supreme Audit Office for Auditing of the Public Sector of Republika Srpska
SAO	State Audit Office – Georgia’s supreme audit institution
Sida	Swedish International Development Cooperation Agency
SIGMA	Support for Improvement in Governance and Management – a joint EU and OECD initiative, aimed at promoting development of public sector governance and management
UNDP	United Nations Development Program
USAID	United States Agency for International Development

# Summary

This is the second report on the Swedish National Audit Office's (NAO) international development cooperation. The report describes the results of the Office's international cooperation projects. It supplements the annual report by describing in more detail how initiatives contribute to achieving the objective of the Swedish NAO's development cooperation. The report is based on external evaluations or the Swedish NAO's own assessments of performance.

## THE SWEDISH NAO'S DEVELOPMENT COOPERATION

Under the Act containing Instructions for the Swedish National Audit Office (2002:1023) the Swedish NAO is to conduct international development cooperation. The Swedish NAO's development cooperation is based on Swedish policy for global development. When choosing with whom to cooperate, the Swedish NAO selects partners from countries with which Sweden has a cooperation strategy.

The objective of the Swedish NAO's development cooperation is *to help strengthen the capacity and ability of supreme audit institutions to conduct audits in accordance with international standards*. The objective is achieved through global, regional and national initiatives.

Globally the Swedish NAO works actively within the international cooperation body INTOSAI<sup>1</sup>. The agency's main commitment is as Vice Chair of the INTOSAI Capacity Building Committee (CBC). The Swedish NAO also works actively within the INTOSAI standard setting structures. In that way the Swedish NAO contributes to international development of public auditing while the work also contributes to the Swedish NAO's own development.

## WORKING METHODS AND METHODOLOGY

Development cooperation currently (January 2015) includes two regional cooperation projects and nine national projects with individual supreme audit institutions (SAIs) as counterparts. The Swedish NAO mainly contributes its own staff to cooperation projects. They usually work in financial audit or performance audit. Staff from the HR<sup>2</sup>, IT and Communication Units also participate in cooperation projects. The Swedish NAO also supports development of partners' senior management to improve leadership linked to audit processes and a supreme audit institution's unique remit.

The Swedish NAO has approved a performance framework that serves as guidance for all cooperation projects; each project must aim towards developing a supreme audit institution working in compliance with international auditing standards. This objective is reflected in all projects and is broken down into three performance objectives that together are to enable the supreme audit institution to conduct audits in compliance with international standards:

- Effective and qualitative audit processes

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<sup>1</sup> International Organisation of Supreme Audit Institutions.

<sup>2</sup> Human Resources.

- Audit reports that are of high quality and reader-friendly
- Good quality relations with external stakeholders.

It is in relation to these performance objectives that the cooperation projects' performance is reported in chapter three; Results of development cooperation.

The Swedish NAO works actively on developing methods and learning and regularly follows up and evaluates all cooperation projects. In 2014 the Swedish NAO invited its Norwegian sister organisation to perform a peer review of working methods and methodology in international development cooperation. Our Norwegian colleagues highlighted a number of success factors, such as our own appropriation, collegial relationships with the partner and the long-term approach of the projects. Some areas for development were also noted, such as the need for clear and realistic objectives in the cooperation projects, improved documentation of partner organisations' development and continued professional development for employees participating in international cooperation.

#### RESULTS OF DEVELOPMENT COOPERATION

Through support to the regional organisation *AFROSAI-E*<sup>3</sup> the Swedish NAO contributes to developing the supreme audit institutions of its 25 member countries. As the largest donor the Swedish NAO supports the entire AFROSAI-E organisation. This covers development of material for members in the form of manuals and guidelines, as well as their implementation. A challenge for AFROSAI-E is to extend its support for practical implementation in the respective member countries. The activities have resulted in the establishment of performance audit in the region, more standardised work processes in the supreme audit institutions and faster implementation of their audits with progressively improved quality. The Swedish NAO's support to AFROSAI-E has contributed to member organisations working more in line with international standards as well as management and leadership that is better fit for purpose. With limited funds the activities are well distributed and bring a high level of reward to member countries.

The Swedish NAO has supported the development of supreme audit institutions in *Bosnia Herzegovina* since their establishment in 2000. The support, covering both financial and compliance audit and performance audit, has contributed to the improvement of the institutions' capacity and capability to conduct audits. They now publish audit reports of relatively good quality that are submitted to parliament. Parliamentarians note that the reporting has developed, but also that the impact can be further increased by clearer recommendations. To make the development sustainable it needs to be institutionalised further through policy documents, processes and procedures, as well as through developing the competence and capability of managers and support functions. The supreme audit institutions are now relatively mature, with structured mutual cooperation within the framework of different steering and working groups. This is unusual in Bosnia

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<sup>3</sup> African Organization of English-speaking Supreme Audit Institutions.

Herzegovina and would probably not have been possible without the participation of the Swedish NAO.

The Swedish NAO's cooperation with the supreme audit institution in **Cambodia** covers financial audit and has focused primarily on developing pilot audits. These are conducted in accordance with new methods and are to act as a model for other audits. In total ten pilot audits have been conducted since the project started. Participating auditors view the new working method as a great improvement as regards process, quality and findings. A quality function has been set up with the help of the Swedish NAO to implement quality controls. Despite the work of the quality function being regarded as controversial there has been clear development of the ability to identify deficiencies and potential improvements. ISSAI competence has been raised in the pilot teams and the quality function but is still generally low in the organisation.

In **Georgia** the Swedish NAO supports the Supreme Audit Institution in performance audit. The collaboration previously included financial audit, leadership issues and communication. As a result of the Swedish NAO's support the institution laid the foundations for sustainable development of performance audit. A manual has been developed and tested in pilot studies and several performance audits have been published. The interest of parliament in performance audit has increased substantially, but they need to continue to develop their capacity to process the reports. Through talks with parliament and government the Swedish NAO, together with other international actors, contributed to depoliticising the Supreme Audit Institution.

In **Kenya** the Swedish NAO supports the supreme audit institution in both financial and performance audit as well as leadership development. The Swedish NAO has also contributed to the work by drawing up proposed new legislation on public audit. A unit for audit quality control that was set up with support from the Swedish NAO supports the introduction of international standards by the supreme audit institution. A communication department has also been set up. All managers have undergone training with the help of the Swedish NAO, which has led to greater understanding of the manager's role in developing a supreme audit institution. The supreme audit institution has also worked with the help of the Swedish NAO to raise the level of knowledge among journalists and improve relations.

In **Kosovo** the Swedish NAO cooperates with the supreme audit institution with a focus on developing guidelines and training programmes, as well as training of audit teams in performance audit. The cooperation has contributed to performance audit being conducted to a greater extent in accordance with international standards and to performance audit being increasingly accepted by the institution's stakeholders. Published reports are generally appreciated by the auditees, but it takes a long time to publish each report. However, productivity increased markedly in 2014. To ensure sustainability of development increased focus is required on institutionalisation through policy documents and well-documented processes and procedures, as well as a stable leadership that supports development.

In **Moldova** the Swedish NAO cooperates with the supreme audit institution in financial audit. According to both auditees and the ministry of finance and parliament the institution has developed positively in the course of the cooperation. The supreme audit institution has improved its processes and the quality of reporting has improved, but the institution still does not fully comply with international standards. The new public sector audit act which the Swedish NAO has helped develop is a precondition for the development within the institution in recent years. The audited agencies are gradually coming to regard the supreme audit institution as more of a support than a control body empowered to take legal action. However, there continues to be a need to develop dialogue with auditees and parliament.

The cooperation with **Palestine** started in 2013 and is the most recent project. As a complement to other donor initiatives the Swedish NAO works here in support of performance audit in the environmental field. In a short period the Palestine supreme audit institution has published reports and has adopted performance audit as an audit type. However, the unstable political and institutional situation is a clear obstacle to development of the supreme audit institution, which also constitutes a major challenge to cooperation.

The cooperation with the supreme audit institution in **Tanzania** is one of the Swedish NAO's more long-term projects. The cooperation has included financial audit, performance audit, IT audit and IT strategy issues, anti-corruption work as well as leadership and communication. In addition the Swedish NAO has acted as advisor on some legislative issues. Both the quality and the scope of the supreme audit institution's audit operations have increased during the period of cooperation. The institution has succeeded in increasing its capability and capacity in financial audit and IT audit with the help of development and introduction of manuals, IT support, technical competence, audit programmes and development ambassadors. A new IT tool resulted in more effective audit processes for the institution, enabling it to audit more with the same resources. The Swedish NAO has also given support in developing performance audit into an operation that audits with improved quality and increased relevance.

In **Uganda** the Swedish NAO has been supporting the supreme audit institution since 2013 in financial audit, leadership and communication. The support has strengthened the analytical capacity of performance audit. The institution uses increasingly complex methods in its audits. In financial audit the Swedish NAO has primarily contributed to developing quality and methods, where material developed within AFROSAI-E was an important component. Media training has also increased the managers' knowledge of how to proactively increase the impact of audit through the media.

The regional cooperation in the **Western Balkans** was initiated in 2013 and aims to supplement and strengthen bilateral cooperation already established with Bosnia Herzegovina and Kosovo. A parallel audit project in performance audit was particularly successful. The Swedish NAO also supports the augmentation of operative leadership capacity of the supreme audit institutions in the Western Balkans. In this cooperation the Swedish NAO has been able to act as a neutral catalyst to contribute to ensuring that the cooperation initiatives that exist are really implemented despite historical conflicts in the region.

## CONCLUSIONS AND SUCCESS FACTORS

Based on the evaluations made and our own lessons learned from the activities, the Swedish NAO has concluded that there are some factors that in general are of great importance for the success of development cooperation.

Through its own appropriation the Swedish NAO has unique potential to be able to offer flexible and long-term support adapted to the needs and situation of the partner organisations. The Swedish NAO's long-standing experience of both public sector audit and international development cooperation also makes it a sought-after partner. However, the Swedish NAO should not be seen as a regular aid organisation, but as a sister organisation meeting its partners in a collegial relation. The Swedish NAO endeavours to build cooperation on the basis of clear ownership on the part of the partners and to adapt support to their priorities. All in all this strengthens the partner organisation's own capability.

A long-term approach in development processes and clear leadership of the partner are crucial success factors. Another success factor is the capacity of parliaments to respond to the supreme audit institutions' reporting. Cooperation also needs to take into account the role of parliament in relation to the supreme audit institution. For example, parliament plays a central role in ensuring that the supreme audit institution's reports lead to changes in the administration. Some measures may therefore need to be taken in relation to the parliaments. Through its legislative remit parliament plays another important role for the supreme audit institution. Often the laws are deficient regarding regulation of the independence of the supreme audit institution, but in some cases the audit mandate may also entail a challenge. For example there are countries where the supreme audit institution is instructed to conduct audits in accordance with international audit standards but where there are no provisions for this in the public administration. It may be a matter of deficiencies in the accounting framework or insufficient reporting on operations and accounts from the agencies to the parliament.

There are clear external drivers in the change processes among the Swedish NAO's cooperation partners. For example development requirements from the EU in connection with enlargement processes are an important factor for development among the cooperation partners in the Western Balkans and the former Soviet republics. Moreover many supreme audit institutions consider it important to develop the organisation, culture and expectations from detailed control, fault-finding and punishment of those responsible to audit in which risk and materiality assessment, pre-emptive action and promotion of transparency are the watchwords that represent the organisation. Both INTOSAI and in some cases regional organisations such as AFROSAI-E play an important role in influencing the agenda for the development efforts of supreme audit institutions.

Over time, the Swedish National Audit Office has also started working more actively with regional organisations and on regional projects, with several participating supreme audit institutions. Experience shows that this type of cooperation provides conditions for learning and exchange that complements bilateral cooperation well.

# 1 The Swedish NAO's development cooperation

The Swedish National Audit Office is presenting a report on the results of its international development cooperation for the second time. The results are reported in light of the Swedish National Audit Office's remit and current agreements on cooperation with other supreme audit institutions.

Under the Act containing Instructions for the Swedish National Audit Office (2002:1023) the Swedish NAO is to conduct international development cooperation. The focus shall be determined by the Swedish National Audit Office following consultation with the Swedish International Development Cooperation Agency (Sida).

A report on international development cooperation is presented annually in the Swedish National Audit Office's annual report. The results report supplements the section in the annual report on the results of operations by giving a more detailed report of how development cooperation initiatives contribute to the operational objectives.

## Development cooperation in accordance with PGD

The Swedish National Audit Office international development cooperation is to be in accordance with Sweden's policy for global development (PGD). It follows from the PGD that operations must be characterised by two perspectives; the poor person's perspective and a justice perspective, in which the individual's freedom and rights are at the centre. Sweden's partner countries<sup>4</sup> are the starting point when selecting cooperation partners.

There is close consultation with both Sida and Swedish missions abroad. In several cases there is also parallel financing.

## Objectives of development cooperation

Good use of resources and effective administration are central to growth and democratic development. Increased transparency and functioning mechanisms for accountability improve the chances of individual citizens to make their voices heard. All this also contributes to combating corruption and fraud. In its field of activity the Swedish National Audit Office can contribute to this development and has set up the following objectives for international development cooperation:

*To help strengthen the capacity and capability of supreme audit institutions to conduct audits in accordance with international standards.*

## Financing

Since 2004 the Swedish National Audit Office has had at its disposal an annual appropriation of SEK 40 million for international development cooperation. The appropriation is not subject to price and salary indexing.

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<sup>4</sup> Defined as the countries for which Sweden has a cooperation strategy.

## Development cooperation in an INTOSAI context

INTOSAI is a cooperation organisation for supreme audit institutions of which the Swedish NAO is a member. INTOSAI has four strategic goals, each led by a main committee. The work of the committees focuses on developing International Standards for Supreme Audit Institutions (ISSAI), promoting supreme audit institutions' capacity development, exchange of information and experience and ensuring that INTOSAI acts as a model international organisation.

The Swedish NAO is the vice chair of the Capacity Building Committee (CBC), which South Africa chairs. The Swedish NAO is also a prominent actor in INTOSAI's development of standards and until 2013 led the work of developing standards for financial audit. The Swedish NAO plays a more limited role in INTOSAI's other strategic goals. The Swedish NAO's commitment to both the CBC and INTOSAI's standard-setting committee is prompted by both the benefit to its own organisation and by the fact that the Swedish NAO has relevant competence and experience that can contribute to global development of SAIs.<sup>5</sup> The members of INTOSAI also have the support of the INTOSAI Development Initiative (IDI), which provides assistance in the form of professional development.<sup>6</sup> The IDI is funded through grants from several national and multilateral aid organisations as well as through contributions from supreme audit institutions.

## 2 Working methods and methodology

The Swedish NAO initiatives are to promote institutional development in public sector audit. The initiatives normally form part of reforms in public financial management in partner countries. The support is to strengthen the capacity of cooperation partners to plan, implement, assure quality, report, communicate and follow up public sector audit. Swedish NAO cooperation often covers several areas to contribute to the development of the organisation as a whole. This broad approach is a conscious choice.

The Swedish NAO mainly contributes its own staff, who work on short-term or long-term missions. The scope varies from a few days' work on site in the country of cooperation (short-term missions) to being stationed at the partner organisation for several years (long term advisor).

The main focus of cooperation lies in financial audit and/or performance audit. The Swedish NAO also provides support in change processes in such areas as leadership, communication and HR. The Swedish NAO can also provide support to parliaments in absorbing and taking action on the basis of the supreme audit institutions' reporting as well as providing support in the process around legislation in the audit field. The Swedish NAO collaborates with the International Department of the Riksdag<sup>7</sup>.

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<sup>5</sup> This activity is normally financed by the Swedish NAO's administration appropriation, and is only charged to the international development cooperation appropriation to the extent it is intended to strengthen supreme audit institutions in developing countries.

<sup>6</sup> Auditor General Margareta Åberg is a member of the board. She replaced Auditor General Jan Landahl in March 2015.

<sup>7</sup> Swedish parliament.

The cooperation is based on the partner's responsibility for its own development. The support of the Swedish NAO must therefore always be demand-driven and based on local needs and conditions. The partners jointly determine the content of the cooperation based on the cooperation partner's own strategies and development plans. Working methods are characterised by flexibility in order to meet the cooperation partner's external changes.

To increase the effect of cooperation and reduce fragmentation the Swedish NAO is active in donor coordination for increased harmonisation and exchange of experience.

## Results framework

When the Swedish NAO receives a formal request, an assessment is made of the preconditions for cooperation. The Swedish NAO then assesses the organisation and operations of the prospective partner. The assessment may also include the institutional context of the supreme audit institution, such as its independence and mandate, the country's financial reporting framework and the parliament's capacity and ability to receive the audit findings. If there are good prospects for cooperation a project document is drawn up clearly stating the objectives of the project.

The Swedish NAO approved a new results framework in 2013. The framework guides all cooperation projects. The objective of the operations is for supreme audit institutions to work in accordance with International Standards for Supreme Audit Institutions (ISSAI). It is formulated to be general and comprehensive so that normally it is possible to apply to several cooperation periods. The objective is reflected in all cooperation projects and is broken down into three performance objectives that express what a supreme audit institution must achieve to meet the objective:

- Effective and qualitative audit processes.
- Audit reports that are of high quality and reader-friendly.
- Good quality relations with external stakeholders.

The Swedish NAO's input should contribute to the achievement of one or more of these objectives. The input may also concern the institutional framework of the supreme audit institution. The Swedish NAO could for example participate in action to develop the capacity of parliaments or clarify laws governing the independence and mandate of the supreme audit institution.

## Methods development and learning

The Swedish NAO utilises lessons learned in development cooperation and continually develop methods. Continuing professional development helps employees to develop their skills in contributing to strengthened capacity in their areas of expertise. Consequently about five per cent of resources are earmarked for skills, methods and professional development.

## Evaluating and monitoring cooperation projects

Joint work processes, for example for planning, monitoring and evaluation, are developed within the framework of each cooperation project. In all projects there is a joint steering committee that regularly monitors the project to determine whether the input is relevant and of good quality. There is also regular external evaluation of projects to stimulate learning and promote a results-based working method. Conclusions from the evaluations are reported in Chapter three.

## Peer review of development cooperation

In 2014 the Office of the Auditor General of Norway for the first time conducted a peer review of development cooperation as a whole. The purpose of the review was not to give an opinion on the results of the projects, but instead to assess the extent to which the Swedish NAO's working methods and methodology are appropriate, relevant and effective.<sup>8</sup>

The Norwegian peer review notes that the role of the Swedish NAO as supreme audit institution makes the organisation a credible and sought-after partner among sister organisations. The Swedish NAO's long-standing work in INTOSAI and development cooperation also contributes to this credibility. Thanks to its own appropriation for international development cooperation the Swedish NAO has a clear advantage in being able to offer long-term partnership. Many other supreme audit institutions working in international development cooperation must regularly seek external funding. One challenge is, together with the cooperation partner, to define targets that are realistic and measurable in relation to time available, resources and the environment in which the development is to take place. Some of the challenge lies in dealing with expectations of partners whose ambitions often risk exceeding their own capability or resources and time. Clear formulation of goals and appropriate documentation are prerequisites for monitoring and evaluation that contribute to learning. Consistent risk management has proved to be important for effective achievement of objectives in the projects.

The guidelines and other documents that support the Swedish NAO staff in leading, following up and developing cooperation are of good quality. There is unutilised potential here, as the day-to-day follow up does not sufficiently highlight the risks that may affect future achievement of objectives. The operations would also benefit from clearer allocation of roles between different actors, mainly as regards responsibility for quality assurance.

Reaching the full potential of the work of steering committees requires that the Swedish NAO, together with its cooperation partners, focuses on strategic challenges, risks and opportunities that can and should affect joint planning, rather than on following up activities in the project plans.

The Swedish NAO's ability to offer multi-faceted support is seen as a strength. That is to say that the Swedish NAO, apart from supporting the

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<sup>8</sup> A peer review of the international development operations of the Swedish National Audit Office, January 2015, Swedish NAO, Jorild Skrefsrud, Jon Anders Storstein, Kristin Amundsen.

development of the audit professions, also takes into account the need to develop HR, communication, IT and leadership and can offer support in developing relations with parliament, the media and other external stakeholders. The Swedish NAO needs to continue working actively to prepare its employees for international assignments, partly through professional development and partly through supporting active learning by exchanging information and experience between and within different projects.

### 3 Results of development cooperation

In autumn 2011 the Swedish NAO published the report Results of the Swedish NAO's international development cooperation to highlight the results achieved in development cooperation. Since then two bilateral (Palestine and Uganda) cooperation projects and one regional (Western Balkans) cooperation project have been started. The project in Ukraine that was dormant at the time has been terminated. In the period 2012–2014 all cooperation projects apart from the three most recent were subject to an external evaluation or a review carried out by the Swedish NAO's own staff. The text below is based on these evaluations and the Swedish NAO's own assessments of performance.

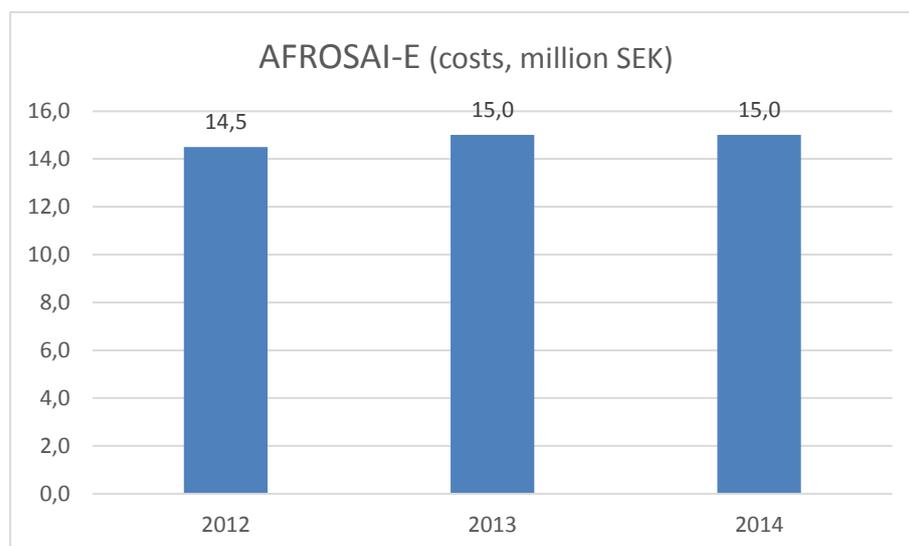
#### AFROSAI-E

##### *Summary*

Through support to AFROSAI-E the Swedish NAO contributes to developing the supreme audit institutions of its 25 member countries. As the largest donor the Swedish NAO supports the entire AFROSAI-E organisation. This covers development of materials for members in the form of manuals and guidelines, as well as their implementation. A challenge for AFROSAI-E is to extend its support for practical implementation in the respective member country.

The activities have resulted in the establishment of performance audit in the region, more standardised work processes in the supreme audit institutions and faster implementation of their audits with progressively improved quality. The Swedish NAO's support to AFROSAI-E has contributed to member organisations working more in line with international standards as well as management and leadership that is better fit for purpose. With limited funds the operations result in broad and significant impact in member countries.

## Project description



The figure shows the costs for AFROSAI-E that were charged to the international development cooperation appropriation in 2012-2014.

### CURRENT PROJECT PHASE 2013–2014

#### *Main focus*

Institutional development (including HR, communication and leadership), development of methods in financial audit and performance audit, external quality control and support to secretariat.

#### *Other support*

The South African Supreme Audit Institution, the Norwegian Embassy in Pretoria, the EU, IDI and Sida contribute funding to the secretariat and its activities. In addition, the supreme audit institutions of South Africa, the Netherlands and Norway contribute resources in the form of staff. The member countries also contribute, partly with financing through membership fees, partly with staff resources and hosting meetings and courses.

### EARLIER PROJECT PHASES

AFROSAI-E is an independent, non-political organisation whose members are 23 English-speaking and two Portuguese speaking supreme audit institutions in Africa. The purpose of the organisation is to promote its members' development. It is led by a board and supported by a secretariat located at the offices of the South African supreme audit institution in Pretoria.

The Swedish NAO has cooperated with AFROSAI-E since its establishment in 2005. AFROSAI-E's forerunner received Swedish development cooperation support from 1989. The Swedish NAO's primary focus has always been on performance audit and supporting the secretariat in Pretoria. The Swedish NAO finances both its own staff and staff from the

region stationed at the secretariat. In addition a large number of Swedish NAO staff participate through short-term assignments. The Swedish NAO contribution constitutes 40 per cent of AFROSAI-E's total turnover. This makes the Swedish NAO by far the largest donor.

### *Results*

The cooperation was evaluated most recently in 2014 on the instructions of the Norwegian and Swedish supreme audit institutions. The focus of the evaluation was the ongoing cooperation period 2010–2014 and the appropriateness of the AFROSAI-E planning framework, measures and activities, as well as organisation and resources. Performance reporting below is based to a great extent on the evaluation.<sup>9</sup>

AFROSAI-E has drawn up a common development framework based on international standards. On the basis of this framework objectives are defined for the member organisations. The Swedish NAO has played a central role in developing the framework and annual follow-up that is based on self-assessment. To achieve its objectives AFROSAI-E develops tools and plans and implements training courses, study visits and meetings.

#### INSTITUTIONAL CONDITIONS

Some of AFROSAI-E's members have a relatively independent position and a mandate to work in accordance with international standards. Other members work constantly to ensure the independence of the institution, the auditor general and staff, as well as the right to conduct audits and report audit findings. In most cases the legislation is satisfactory, but there is more to do to ensure independence in practice.

#### QUALITY OF AUDIT PROCESSES AND REPORTS

Differences in members' development levels mean that AFROSAI-E has focused much of its activity on developing tools and manuals that everyone can use. In the period 2010–2013, 23 handbooks, guidelines and manuals were developed. Many of these were developed with the help of Swedish NAO staff at the AFROSAI-E secretariat and staff on short-term assignments.

This work has resulted in the supreme audit institutions having more standardised work processes and implementing their audits faster. In addition productivity and quality have been improved generally over time. The auditors work to an increasing extent in line with international standards. Conclusions and recommendations in audits are regarded as being better substantiated and activities are managed in a more appropriate way. PEFA values<sup>10</sup> have improved in the member countries. Thanks to AFROSAI-E's development programme, to which the Swedish NAO contributes staff, members can more easily learn from each other and compare their progress.

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<sup>9</sup> *Evaluation of the African Organisation of Supreme Audit Institutions in English-speaking Africa*, May 2014, Swedish Development Advisers, Åsa Königson, Tony Bennet, Kevin Hughes, Arne Svensson and Anna Springfors.

<sup>10</sup> Public Expenditure and Financial Accountability – tool to assess the state of a country's system for public expenditure, procurement and accountability.

Even if members are highly satisfied with both the materials and the training programmes that AFROSAI-E produces, the external evaluation shows that what is most highly in demand today is practical support in applying the manuals and tools that exist in the region.

The evaluation shows that the use of manuals and participation in courses is unevenly spread between member countries. There are major differences between the supreme audit institutions that make most use of the opportunities (mainly Namibia and Ethiopia) and those that participate least (Angola, Liberia and South Sudan). To reach the members with the greatest needs AFROSAI-E must change its method of work and devote itself to supporting the change process at national level. This work has started.

With the help of the Swedish NAO performance audit has been established as an audit type. As a result of this development performance audit has spread widely even among other supreme audit institutions in Africa. AFROSAI-E is undergoing a long basic training programme for performance auditors and has developed manuals and guides. The Swedish NAO has played a central role in this development. The number of performance auditors has increased from 332 to 406 between 2011 and 2013 and the number of published reports has doubled between 2010 and 2012.

#### QUALITY IN RELATIONS

The development level as regards communication and relations with external stakeholders varies considerably between members. Some supreme audit institutions report according to plan to parliament, have a communication function, a website and relatively well-functioning relations with both media and other relevant external actors. Other SAIs do not issue or publish their reports, have no website and have no interaction with the media. Even if the number of professional communicators has increased, there is also a great need among the relatively well-developed members in the region to actively develop working methods in external and internal communication.

Since 2010 one of AFROSAI-E's strategic objectives has been to contribute to its members' organisational development, including through HR, communication and leadership initiatives. AFROSAI-E has produced two handbooks – *AFROSAI-E Communication Handbook* and *AFROSAI-E HR Handbook* – with support from the Swedish NAO. The Swedish NAO has also contributed expertise at several training sessions. These initiatives have meant that the number of professional communicators and HR experts in the region has increased.

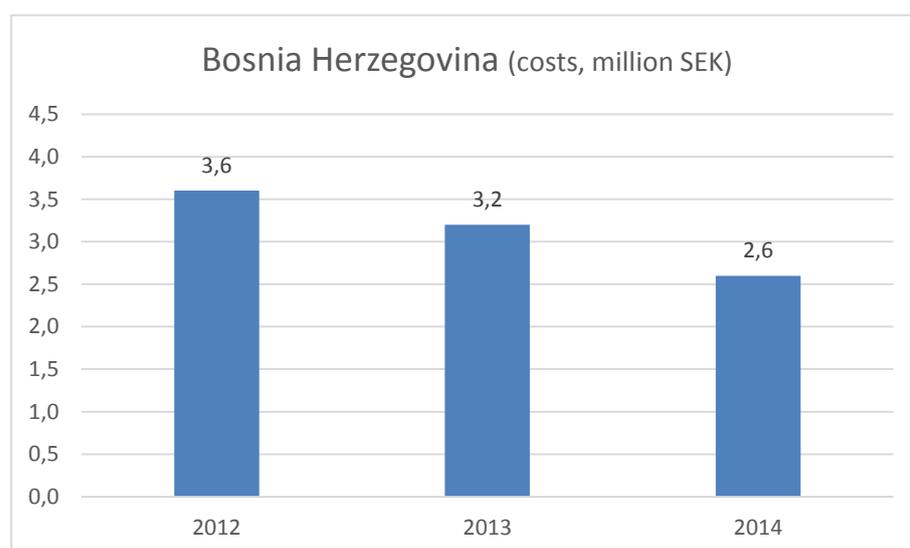
## Bosnia Herzegovina

### *Summary*

The Swedish NAO has supported the development of supreme audit institutions in Bosnia Herzegovina since their establishment in 2000. The support, covering both financial, compliance and performance audit, has improved the institutions' capacity and capability to conduct audits. They now publish audit reports of relatively good quality that are submitted to parliament. Parliamentarians note that the reporting has developed, but also

that the impact can be further increased by clearer recommendations. To make the development sustainable in the long term it needs to be institutionalised further through development of policy documents, processes and procedures, as well as through developing the competence and capability of managers and support functions. The supreme audit institutions are now relatively mature, with structured mutual cooperation within the framework of different steering and working groups. This is unusual in Bosnia Herzegovina and would probably not have been possible without the participation of the Swedish NAO.

### *Project description*



The figure shows the costs for Bosnia Herzegovina that were charged to the international development cooperation appropriation in 2012-2014. The project is in a phasing out period, during which primarily the support to performance audit has decreased considerably.

#### CURRENT PROJECT PHASE 2013–2016

##### *Main focus*

Performance audit and financial audit, including compliance audit.

##### *Other support*

USAID<sup>11</sup> works on relations with parliaments to gain greater acceptance for the reports, conclusions and recommendations of supreme audit institutions.

#### EARLIER PROJECT PHASES

The Swedish NAO has cooperated with the supreme audit institutions in Bosnia Herzegovina since 2000. The cooperation now in progress is the fifth project phase. To start with the focus of cooperation was only on financial audit, but already in the second project phase initial support was added in performance audit.

<sup>11</sup> United States Agency for International Development

## Results

The cooperation was evaluated in both 2010 and 2014. The performance reporting below is based to a great extent on the latest evaluation.<sup>12</sup> In addition SIGMA<sup>13</sup> carried out an assessment<sup>14</sup> in 2012 that shows that supreme audit institutions are relatively mature compared with many other agencies in the country. The quality of external audit is also considered to be relatively good.

An important part of the project's success is the local presence; apart from Swedes posted on long or short-term assignments there has long been a local contact employed by the Swedish NAO. All in all this has made a great difference by facilitating relations between supreme audit institutions. In addition to this can be added the advantages of mastering the language and local contexts and always being available.

### INSTITUTIONAL CONDITIONS

Bosnia Herzegovina has a complex structure with four forms of government. The Swedish NAO's cooperation partner has therefore been the supreme audit institution at central level, the Office for Auditing of Institutions of Bosnia Herzegovina (SAI BiH), as well as the supreme audit institutions in the two entities; the Office for Auditing of Institutions in the Federation of Bosnia Herzegovina (SAI FED) and the Supreme Audit Office for Auditing of the Public Sector of Republika Srpska (SAI RS). In 2010 a fourth supreme audit institution with a mandate to conduct audits in the Brčko (SAI BD) district was added to the cooperation. SAI RS has decided not to participate in the ongoing cooperation phase.

There is nothing written in the constitution concerning the organisational independence of any of the four supreme audit institutions in Bosnia Herzegovina. In 2010 SAI BiH initiated changes in connection with the revision of the constitution. The parliament accepted, but since it could not agree on a new constitution the law on public sector audit was not amended either.

All four supreme audit institutions' mandates are regulated in public audit legislation, which also governs the independence of the auditor general, for example. Independence is undermined for example by the parliaments having to approve audit plans annually. In addition, both SAI BiH and SAI BD are dependent on the ministry of finance that determines their budget, while the ministry is the primary auditee. The supreme audit institutions report to their respective parliaments.

The SAIs cooperate through a coordination board, for example to establish common guidelines and instructions based on INTOSAI standards or to decide on representation on international bodies. This coordination board is one of the few functioning formal coordination bodies between agencies in Bosnia Herzegovina. This would probably not have been possible without the participation of the Swedish NAO.

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<sup>12</sup> *Evaluation report – The Swedish National Audit Office cooperation with SAIs in Bosnia and Herzegovina in the period 2010–2013*, November 2014, Office of the Auditor General of Norway.

<sup>13</sup> Support for Improvement in Governance and Management – a joint EU and OECD initiative, aimed at promoting development of public sector governance and management

<sup>14</sup> *SIGMA Assessment, Bosnia and Herzegovina*, March 2012, SIGMA.

#### QUALITY OF AUDIT PROCESSES AND REPORTS

With the help of the Swedish NAO there has been a clear development of capacity and knowledge during the cooperation period. Initially the cooperation concerned building up supreme audit institutions in a society that was rebuilding after the war. In ten years the SAIs developed a capacity and ability to conduct financial audit that to a great extent was in line with international generally accepted auditing standards and consequently the support to financial audit was phased out.

In 2010 the SAIs in Bosnia Herzegovina decided to implement the new INTOSAI standards for financial, performance and compliance audit respectively. Consequently financial audit and compliance audit were reintroduced in the collaboration with the Swedish NAO from 2013. In financial audit the Swedish NAO trains trainers. In 2014 this group became increasingly established and the work of implementing international standards is moving forward.

The Swedish NAO has supported the development of performance audit since 2006, and currently all four SAIs publish performance audit reports of relatively good quality that are also submitted to the respective parliaments. With the help of the Swedish support in 2014 twelve performance audits were published. The Swedish NAO's close cooperation with the audit teams has achieved the desired effect of improved competence and capability. Training and other support are regarded as highly relevant and a great help.

The supreme audit institutions in Bosnia Herzegovina consider the cooperation with the Swedish NAO as decisive for the development. The SAIs face a number of challenges in the future too; for example the number of performance auditors is still insufficient for reaching a critical mass. In addition, some senior management positions are vacant, which is a particular problem in the smaller SAIs. The evaluators consider that there is a considerable risk that insufficient leadership risks undermining the sustainability of the development. The sustainability also rests on the SAIs developing sufficient internal competence to train both new staff and provide further training to more experienced auditors. The conclusion is that the current level of development has not been sufficiently institutionalised through policy documents, processes and competence and capability of relevant managers and support functions.

The efforts to make audit reports more readable and user friendly have resulted in clear improvements. Parliamentarians note that the reports have gradually become more readable, but also note that their impact may increase further if they are more accessible. The recommendations need to be more specific to be used by parliament for appropriate follow-up.

#### QUALITY IN RELATIONS

The objective is that the SAIs should develop relations with external actors to improve the impact of the audits. Seminars with the parliament have been appreciated and contributed to clarifying the parliamentarians' high expectations of performance audit.

Some parts of the media in Bosnia Herzegovina are regarded as being politicised, which affects the ability of the SAIs to provide information on their activities. However, with the support of the Swedish NAO focus group

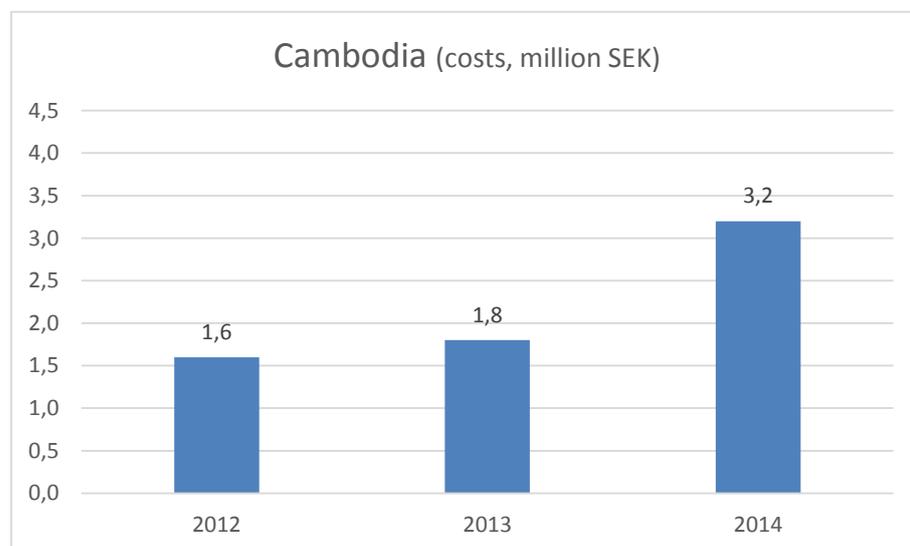
meetings with media representatives have been held, aimed at increasing the interest of the media and thus the impact of the audits.

## Cambodia

### *Summary*

The Swedish NAO's cooperation with the National Audit Authority of Cambodia (NAA) covers financial audit and has focused primarily on developing pilot audits. These are conducted in accordance with new methods and are to act as a model for other audits. In total ten pilot audits have been conducted since the project started. Participating auditors view the new working method as a great improvement as regards process, quality and findings. A quality unit has been set up with the help of the Swedish NAO to implement quality controls. Despite the work of the quality unit being regarded as controversial there has been clear development of the ability to identify deficiencies and potential improvements. ISSAI competence has been raised in the pilot teams and the quality function but is still generally low in the organisation.

### *Project description*



The figure shows the costs for Cambodia that were charged to the international development cooperation appropriation in 2012-2014. The increased outcome in 2014 was mainly caused by the costs of the external evaluation.

#### CURRENT PROJECT PHASE 2011–2014

##### *Main focus*

Financial audit, including quality assurance and quality control.

##### *Other support*

GIZ has provided support, mainly in performance audit and leadership 2005–2014. The NAA has previously received some support via basket funding, where the Asian

Development Bank, Danida<sup>15</sup> and the World Bank have contributed.

#### EARLIER PROJECT PHASES

Cooperation between the Swedish NAO and the NAA was started in 2011. The original project phase to the end of 2013 was extended by one year to December 2014. In January 2015 cooperation was extended with a new project phase 2015-2017.

#### *Results*

The cooperation was evaluated by an international team in 2014.<sup>16</sup>

Even though the PFM reform<sup>17</sup> in Cambodia has been in progress for ten years accounting is still manual for some agencies and provinces, which makes the work of the NAA more difficult. Enabling the NAA to implement audit in accordance with international standards imposes requirements on public administration in other respects. The former absence of external audit also means that there is a shortage of competent staff, both at the NAA and in Cambodia generally and that it is difficult to recruit staff with relevant education and experience.

In a PEFA assessment capacity was given a low score in all parameters linked to external audit.<sup>18</sup> Transparency International also assesses the NAA to be weak in its role and governance, while they see an improvement in the organisation's capacity in the past decade.<sup>19</sup>

Within the framework of the project the Swedish NAO is also cooperating with the regional organisation ASEANSAI, which consists of supreme audit institutions in South East Asia. The cooperation was started in 2014 and there are plans to extend it in 2015.

#### INSTITUTIONAL CONDITIONS

According to the Cambodian constitution the NAA has formal independence though this is restricted in practice, for example in that the auditor general is appointed from a circle close to the government party.

The NAA has a mandate to carry out audit of financial reporting, leadership and management of externally funded projects, management systems and effectiveness and appropriateness of agencies' activities. They can also audit political parties, voluntary organisations and private investments. In addition the NAA audits the consolidated annual report compiled by the government and presented to the parliament. The result of the audit is sent to parliament, the senate, the ministerial council, the finance minister and all ministers affected by misstatements or fraud identified through the audit.

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<sup>15</sup> Danish International Development Agency.

<sup>16</sup> *Evaluation report of the institutional co-operation programme between the Swedish National Audit Office and the Cambodian National Audit Authority*, November 2014, Finn Hedvall, Shawn Reynolds and Navy Shann.

<sup>17</sup> Public Financial Management reform.

<sup>18</sup> Public Finance Management Assessment Cambodia – Based on the Public Expenditure Financial Accountability Framework (PEFA), February 2010

<sup>19</sup> National Integrity System 2014: Corruption and Cambodia's Governance System, by Transparency International

By law audit must be conducted in accordance with generally accepted auditing standards and Cambodia's national auditing standards (Royal Government auditing standards). The law does not mention international standards, but the NAA has established its own policy to implement audit in accordance with international standards (ISSAI). The audit of the consolidated annual report is lagging behind and in 2014 the audit report for the 2009 financial statements was submitted.

A large part of the work done by the NAA cannot be regarded as audit in accordance with international standards. Among other things, the NAA is responsible for certain processes in the accounting that should normally be the responsibility of the management of the audited agency so as not to undermine the independent role of the auditor.

There are currently no plans to change the law on public auditing.

#### QUALITY OF AUDIT PROCESSES AND REPORTS

Development towards audit in accordance with international auditing methods is a challenge in Cambodia. It is not unusual for auditors to refrain from reporting on deficiencies identified during audit, if they may be perceived as sensitive. The auditors themselves also relate that identified problems and deficiencies are normally not rectified but return at the next audit. Auditors are also somewhat yielding as regards reporting, and the auditees' managements are passive with regard to implementing audit recommendations.

The Swedish NAO's support has primarily focused on updating the NAA's audit manual in accordance with ISSAIs, developing capacity to implement quality assurance and quality control in audit, as well as applying the manual in pilot audits. The pilot audits are also used to further develop the manual. In total ten pilot audits were implemented in accordance with the new method in 2012–2014. Auditors that participated in pilot audits expressed that they are highly satisfied with the new working method and see it as a great improvement in process, quality and result. There is a plan to introduce the new auditing standards fully by 2017.

The quality function recently set up with the support of the Swedish NAO, is controversial in parts of the institution since it is thought that quality controls could lead to internal discord. Through the quality controls implemented in the pilot audits a number of deficiencies were identified, but improvements can also be noted in a number of areas.

Another development is that in the pilot audits conducted as part of the 2012 cooperation the NAA issued an unqualified auditor's report, while the 2013 and 2014 auditor's reports were qualified in all cases. This indicates reduced fear that objective reporting may create controversy, but also requires clear communication both with the auditee and the parliament to create understanding for what it entails.

The development is hindered by the trained audit teams having a competence advantage over their own management, as well as by culturally conditioned reluctance to younger employees training older employees and more senior colleagues and managers. ISSAI competence has increased within the organisation as a result of the cooperation but is still generally low among those who were not part of the pilot teams or the quality unit.

## QUALITY IN RELATIONS

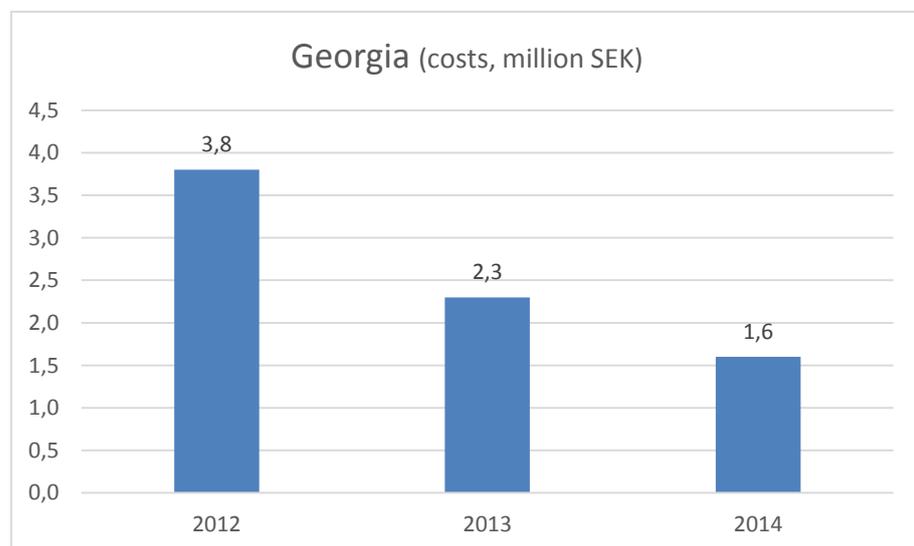
According to the evaluators the impressions from the pilot audit auditees vary. Many are generally positive to the new working method and appreciate the focus on constructive recommendations rather than finding and punishing errors. As the auditees gradually become less afraid of the NAA's audits cooperation between them is improving. However, some auditors have noticed opposition among the auditees that are not used to the new working method, which is seen as demanding more of them.

## Georgia

### *Summary*

The Swedish NAO supports the State Audit Office of Georgia (SAO) in performance audit. The collaboration previously also included financial audit, leadership issues and communication. As a result of the Swedish NAO's support the SAO laid the foundations for sustainable development of performance audit. A manual has been developed and tested in pilot studies, where several performance audits have been published. The interest of parliament in performance audit has increased substantially, but they need to continue to develop their capacity to process the reports. Through talks with parliament and government the Swedish NAO, together with other international actors, contributed to depoliticising the SAO.

### *Project description*



The figure shows the costs for Georgia that were charged to the international development cooperation appropriation in 2012-2014. After an introductory phase with a more extensive approach the project concentrated on performance audit, with consequent reduced costs.

### CURRENT PROJECT PHASE 2014–2016

*Main focus*

Performance audit.

### *Other support*

GIZ<sup>20</sup> supports performance audit of local and regional activities. Through EU-twinning<sup>21</sup> the Polish and German supreme audit institutions assist in financial audit and compliance audit.

### EARLIER PROJECT PHASES 2010-2013

The Swedish NAO has cooperated with the SAO since March 2010. In December 2012 cooperation was extended for a year, and at the start of 2013 the parties agreed to continue cooperation in a new three-year project phase in 2014–2016.

The cooperation between the Swedish NAO and the SAO focused on five areas in the first project phase: financial audit, performance audit, leadership issues, internal and external communication and IT infrastructure. In the first project phase the cooperation was within the framework of a major change process conducted by the SAO largely with its own resources, but also with some support from the World Bank and GIZ.

### *Results*

The cooperation was evaluated at the end of 2012 by employees of the Swedish NAO who had not been involved in the project before.<sup>22</sup>

### INSTITUTIONAL CONDITIONS

In 2008 Georgia's parliament passed a new public auditing act that obliged the SAO to conduct performance audits as of January 2012. This legislative amendment also tasked the SAO with supporting the government's reform agenda aimed at increasing transparency and accountability in the public sector. The law was changed in 2011 giving the SAO a mandate to conduct audits in accordance with international standards. According to the Swedish NAO the SAO now holds the mandate required for compliance with EU audit requirements, but preconditions in other areas of public administration are lacking to some extent.

The altered mandate of the SAO made it necessary to ensure that the organisation had staff with the right competence for the task. These measures entailed a major strain on the SAO in the short term in that all those who did not meet the new competence requirements were replaced.

The replacement of the auditor general in 2012 also meant a turnover in several leading positions in the organisation. As a result the pace of reform fell during a period of transition.

The SAO's formal independence is regulated in the Georgian constitution. One dilemma has been the SAO's mandate to audit the political parties' funding, which was perceived as being directed towards the opposition that subsequently won the 2012 parliamentary election and the presidential

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<sup>20</sup> Gesellschaft für Internationale Zusammenarbeit – German central government implementing body in support of development cooperation policy

<sup>21</sup> Institutional cooperation between sister organisations in an EU Member State and one of the EU's beneficiary countries (under the Generalised System of Preferences), financed by the European Commission.

<sup>22</sup> *Evaluation report on the first phase of the Institutional Development Cooperation between the Swedish National Audit Office and the State Audit Office of Georgia*, 30 November 2012, Karin Holmerin, Mathilda Fält Zaar and Elisabeth Carlsund.

election in 2013. Several of Georgia's partner countries, including Sweden, have expressed concern at a high political level over the politicisation of the supreme audit institution. The Swedish NAO has also actively participated in this dialogue, including through talks with representatives of the parliament and government. This led for example to a revision of the law governing the mandate of the parliamentary commission instructed to audit the SAO.

#### QUALITY OF AUDIT PROCESSES AND REPORTS

As a result of the Swedish NAO's support the SAO has laid the foundation for sustainable development and administration of performance audit. Previously a challenge was that no separate organisational unit was responsible for performance audit, but this has now been dealt with. With Swedish support a manual was developed that was tested in pilot studies, and at the end of 2013 six performance audits had been completed and published, and the work of new audits is continuing. Within the framework of the project an exchange of experience in performance audit has also been started between the SAO and the supreme audit institutions in Latvia and Moldova.

The SAO had a new leadership in 2013 and in connection with that the supreme audit institution in Latvia was engaged to share its experiences of its own reform process to comply with EU requirements. The aim was also to create increased understanding for the challenges of the reform work.

The SAO has periodically had a high staff turnover. Staff turnover has led to new recruitment of employees lacking professional audit competence and experience, while many positions of responsibility are vacant. This makes extensive training initiatives necessary, and the Swedish NAO has played an important role here.

#### QUALITY IN RELATIONS

In the first project phase the SAO and the Swedish NAO cooperated to create the necessary conditions for working with internal and external communication. The SAO has now decided to create a communication function.

The parliament's interest in performance audit has increased considerably. However, the parliament still needs to be better at processing the reports.

During the project period Swedish members of the Riksdag participated in meetings with the Georgian parliament to underline its central role in administering the audit findings of the supreme audit institution. Georgian parliamentarians have also visited the Swedish Riksdag.

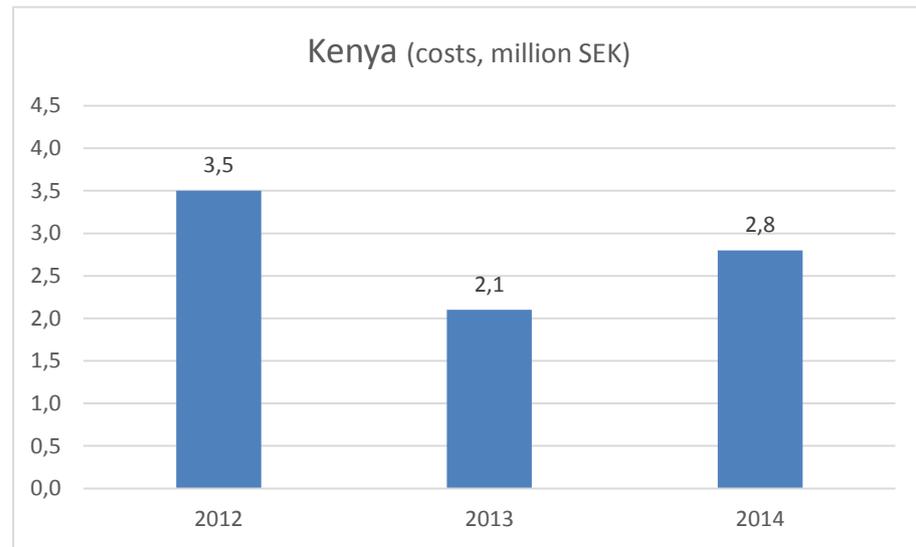
## Kenya

### *Summary*

In Kenya the Swedish NAO supports the Office of the Auditor General of Kenya (OAGK), in financial audit, performance audit and leadership development. The Swedish NAO has also contributed to the work of the OAGK to develop proposed new legislation on public audit. A function for audit quality control that was set up with help from the Swedish NAO

supports the OAGK's introduction of international standards. A communication department has also been set up. All managers have undergone training with the help of the Swedish NAO, which has led to greater understanding of the manager's role in developing a supreme audit institution. The OAGK has also worked with the help of the Swedish NAO to raise the level of knowledge among journalists and improve relations.

*Project description*



The figure shows the costs for Kenya that were charged to the international development cooperation appropriation in 2012-2014. The project was started with a broad approach, including performance audit, where the work came to a partial halt in 2013-2014. Therefore the outcome has decreased.

**CURRENT PROJECT PHASE 2011-2014**

*Main focus* Financial audit, performance audit, communication, leadership support focusing on increased effectiveness and quality in audit as well as strengthened relations with external stakeholders.

*Other support* Danida and Sida also support the organisation, as does GIZ to a more limited extent.

**EARLIER PROJECT PHASES**

The cooperation started in October 2011, initially with a broad approach including both audit types as well as leadership support and strengthened external relations.

*Results*

Since the cooperation has only been in progress since 2011 no complete external evaluation has been made. The project is one of the case studies in the Norwegian Supreme Audit Institution's evaluation of the Swedish

NAO's international development cooperation. The Swedish NAO and the OAGK made preparations for continued cooperation at the end of 2014.

#### INSTITUTIONAL CONDITIONS

Kenya's new constitution of 2010 changed the conditions for the supreme audit institution's activities. As a result of this the OAGK, with the help of the Swedish NAO, drafted a proposal for a new law on public auditing that was presented to parliament. The Swedish NAO's analyses were valued by the OAGK and had a clear impact on the drafting of the legislation, including the matter of conditions for performance audit.

#### QUALITY OF AUDIT PROCESSES AND REPORTS

The objective of the cooperation is to strengthen the capacity of the OAGK to produce audit reports of good quality, in compliance with international standards in both performance audit and financial audit. The reports should be readable, appropriate and delivered on time. Part of this work is developing audit manuals adapted to international standards.

The Swedish NAO's input among other things has contributed to the establishment of a quality control unit with 30 special quality reviewers who, together with the Swedish NAO's staff on short-term missions, support the OAGK's implementation of international standards. The unit is also responsible for implementing the regular quality control associated with each auditee.

The OAGK's management has also used the help of the Swedish NAO in developing its leadership, through for example training for all managers in communicative leadership and coaching of staff.

#### QUALITY IN RELATIONS

The Swedish NAO has also supported the OAGK in developing a communication department. When the cooperation started there was no professional communicator. At the end of 2014 the communication department, with its seven employees, had relevant staffing, making it the second largest in the region.

The OAGK has also had help from the Swedish NAO to raise the level of knowledge among journalists and improve relations between the OAGK and journalists.

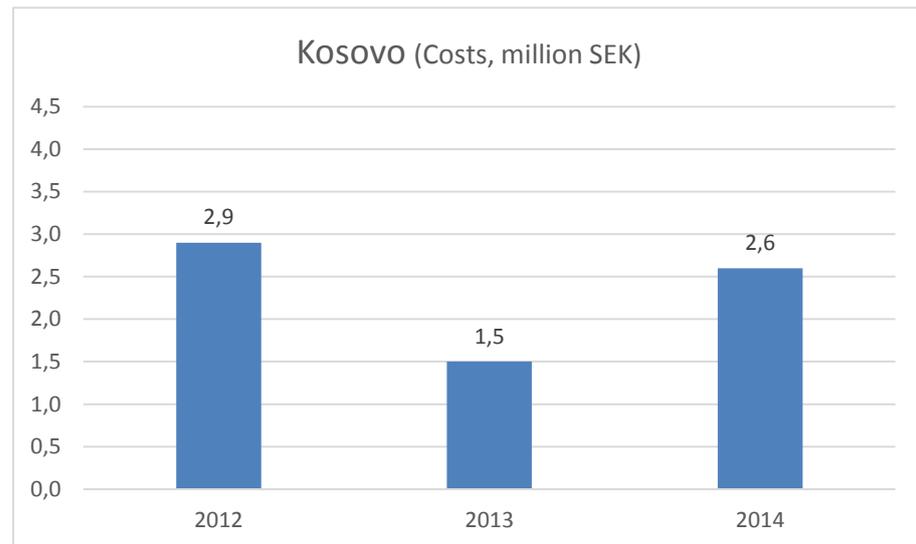
## Kosovo

### *Summary*

In Kosovo the Swedish NAO cooperates with the Kosovo Office of the Auditor General (KOAG) with a focus on developing guidelines and training programmes, as well as training of audit teams in performance audit. The cooperation has contributed to performance audit being conducted to a greater extent in accordance with international standards and to performance audit being increasingly accepted by the institution's stakeholders. Published reports are generally appreciated by the auditees, but it takes a long time to

publish each report. However, productivity increased markedly in 2014. To ensure sustainability of development increased focus is required on institutionalisation through policy documents and well-documented processes and procedures, as well as a stable leadership that supports development.

### *Project description*



The figure shows the costs for Kosovo that were charged to the international development cooperation appropriation in 2012-2014. The project initially covered several components, but since 2013 has focused on performance audit as a complement to EU cooperation.

#### CURRENT PROJECT PHASE 2013–2016

*Main focus*

Performance audit.

*Other support*

The UK National Audit Office leads an EU Twinning Project (2012–2015) focusing mainly on financial audit and institutional development. The supreme audit institution of the Netherlands is responsible within the twinning cooperation for support to performance audit within re-regulation and development of private markets. The World Bank finances support in audit of procurement systems.

#### EARLIER PROJECT PHASES

The cooperation started in 2011. The first project phase, completed in spring 2013, focused on performance audit, financial audit and management support. The project phase mainly consisted of bridging activities between two twinning projects.

## *Results*

An external evaluation was conducted by an international team in 2014.<sup>23</sup>

### INSTITUTIONAL CONDITIONS

The precursor to the present supreme audit institution was established in 2002. The former Director General of the former Swedish National Audit Office, Inga-Britt Ahlenius, was the first Auditor General of the new supreme audit institution. In Kosovo's declaration of independence of 2008 the constitution was adopted that establishes the mandate of the new supreme audit institution as well as for the Auditor General. In 2009 another Swede, Lage Olofsson, was appointed as Auditor General in Kosovo, under the new mandate. The Auditor General's mandate expired in August 2014. Due to the fact that Kosovo has not had a functioning parliament since the election in June 2014 no decision as to a successor or extension has been possible.

The supreme audit institution has a legal mandate to audit both local authorities and public-private funded projects. A new law is being prepared, aimed at clarifying how selection, appointment and replacement of the supreme audit institution's staff is to be dealt with.

### QUALITY OF AUDIT PROCESSES AND REPORTS

The public audit legislation stipulates that KOAG should work in accordance with international audit standards. To meet this requirement the KOAG has developed extensive training activities to raise employees' competence. The KOAG has undergone fast development in a short time. For example the number of staff more than doubled between 2007 and 2013 and the number of agencies subject to financial audit increased from 25 to 113 in the period 2008 to 2013.

There are three departments of the KOAG responsible for "non-statutory audit" including performance audit. The expectations of their work are high. Cooperation with the Swedish NAO has above all focused on development of guidance and development programmes, as well as training and coaching of audit teams in performance audit. In the long term the coaching is expected to be phased out in favour of support to the operative management.

Performance audit in the KOAG has developed continuously, the audits are increasingly accepted among stakeholders and are implemented to an increasing extent in accordance with international standards. However, to date few reports are published and it takes a long time to publish each report. As a consequence of the Swedish NAO's coaching and training there has been a considerable increase in the number of ongoing performance audits in 2014. Even if published reports are generally valued by the auditees, there is a need to increase focus on economy, efficiency and effectiveness, rather than compliance.

The ongoing development of a programme for training and certification of performance auditors will continue to require a lot of work and continued support from the Swedish NAO. The parallel audits that the KOAG

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<sup>23</sup> *Evaluation of the institutional co-operation programme between the Swedish National Audit Office and Kosovo's Office of the Auditor General*, November 2014, Finn Hedvall, Shawn Reynolds and Shar Kurtishe.

participates in regionally in the Western Balkans are regarded as beneficial and instructive and are valued by the participating auditors. (See further the chapter below on regional cooperation in the Western Balkans.)

Both managers and employees have improved their competence and capability in performance audit as a result of the Swedish NAO's training programmes. High staff turnover on the part of the Swedish NAO, however, has sometimes made cooperation more difficult.

Thanks to the bridging activities offered by the Swedish NAO between two twinning projects the KOAG has been able to maintain and develop capacity in financial audit. The evaluators note that the credibility of the KOAG's reporting and recommendations has increased. This is primarily a result of support in the EU twinning project, where the Swedish NAO participated in development of the certification programme in financial audit.

Development of the supreme audit institution is highly relevant in a young nation like Kosovo, and the Swedish NAO's support is an important contribution to such development. To ensure sustainability development needs to focus on institutional solutions, well documented processes and strong support from management. However, development is threatened by an unstable situation, both politically and institutionally.

#### QUALITY IN RELATIONS

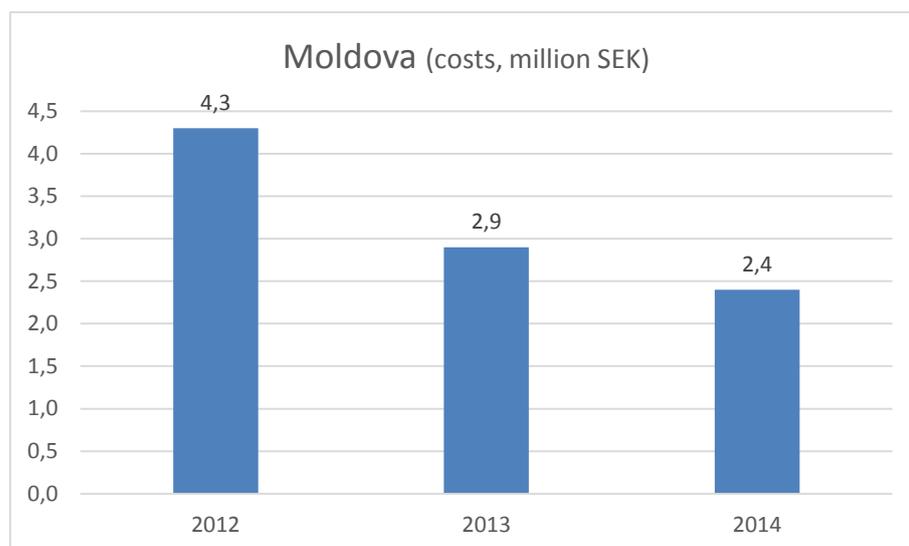
To raise and ensure quality of performance audit it is important to have continual dialogue with external stakeholders, such as parliament and auditees, for example through seminars. The performance audit reports are appreciated by the parliament, even though the evaluation noted that there is potential for improvement as regards continual contacts between the auditees and the KOAG.

## Moldova

### *Summary*

The Swedish NAO cooperates with the Moldovan Court of Accounts (CoA), in financial audit. According to both auditees and the ministry of finance and parliament the CoA has developed positively in the course of the cooperation. The supreme audit institution has improved both its processes and the quality of reporting, but the institution does not yet fully comply with international standards. The new public audit act which the Swedish NAO has helped develop is a precondition for the development within the institution in recent years. The audited agencies are gradually coming to regard the CoA as more of a support than a control body empowered to take legal action. However, there continues to be a need to develop dialogue with the auditee and parliament.

## Project description



The figure shows the costs for Moldova that were charged to the international development cooperation appropriation in 2012–2014. The outcome in 2012 includes an external evaluation, which explains the high outcome.

### CURRENT PROJECT PHASE 2013–2015

*Main focus* Financial audit.

*Other support* EU twinning cooperation. The World Bank also orders and finances audits of World Bank funded projects in Moldova.

### EARLIER PROJECT PHASES

The CoA, which has been in existence since 1994, has received Swedish support through Sida since 1997 and has cooperated with the Swedish NAO since 2007 to be able to meet the requirements made of an independent supreme audit institution. The first project phase lasted from 2007–2009. The cooperation was extended with a second project phase in 2010–2013.

## Results

In 2012 an external evaluation was conducted.<sup>24</sup> In the same year the Swedish NAO also made an assessment of the CoA's work in relation to international standards<sup>25</sup>

### INSTITUTIONAL CONDITIONS

During the first project phase the Swedish NAO contributed to development and introduction of a new law on public audit on which to base the continued development of the CoA. However, there are still challenges in clarifying the

<sup>24</sup> *Evaluation of the Institutional Cooperation Project between the Court of Accounts of the Republic of Moldova and the Swedish National Audit Office*, 20 September 2012, Inga Iovu-Litvienenco and Arne Svensson.

<sup>25</sup> *Study of Development needs at the Moldovan Court of Accounts and Future SNAO Support*, 29 February 2012, Finn Hedvall and Karin Holmerin.

role of the CoA as an external supreme audit institution. Among other things the development of internal audit in the public sector requires a clearer allocation of responsibility between the CoA staff and internal auditors at the agencies. There are also shortcomings in the financial independence of the supreme audit institution, for example in that the institution's budget is decided by the ministry of finance.

The CoA has a high staff turnover, particularly among qualified staff, due to the low level of pay. Employees who improve their audit competence leave the organisation for better paid jobs. The pay levels of the CoA are governed by legislation that regulates pay levels in most central government agencies. In a dialogue with the parliament the Swedish NAO is working to increase the CoA's financial independence, for example by exempting the institution from the statutory pay levels.

#### QUALITY OF AUDIT PROCESSES AND REPORTS

Both the CoA and auditees, the ministry of finance and parliament are agreed that the CoA has developed positively in the course of the cooperation. With the help of the Swedish NAO the CoA has improved its audit processes and increased the quality of audit during the project period, but much work remains to be done before the organisation meets national and international requirements and standards. A financial audit manual has been prepared within the project and is also complied with to a great extent. However, the CoA needs to maintain continuing training of its staff, as well as various forms of quality assurance and quality control. The internal capacity for continuing professional development is crucial for development in the long term.

To promote greater consensus within the SAI's management on its mandate and remit the Swedish NAO initiated an information exchange between the Moldovan, Georgian and Latvian SAIs. The colleagues in Latvia share their experiences of transition from control body focusing on detailed control, fault-finding and punishment of those responsible, to a supreme audit institution, focused on audit based on assessment of risk and materiality. The collaboration between the SAIs focuses among other things on management responsibility for strategic and operative leadership of the SAI. The collaboration has led to increased understanding in the CoA's leadership for audit in accordance with international standards.

The internal structure of the CoA now supports the new audit processes better. As there are no formal requirements for agencies to prepare annual reports a complete audit in accordance with international standards cannot be performed. In parallel with the Swedish NAO's project there has been a PFM reform in Moldova that has included the introduction of a new Integrated Financial Management Information System (IFMIS) in 2014. Even if the new financial management information system entails new challenges and training needs for the CoA staff, it also creates the conditions for audit in accordance with international standards.

#### QUALITY IN RELATIONS

During the second project phase the CoA was also affected by the unstable political situation in Moldova. The appointment of the SAI's leadership was

delayed, for example. During this period it was very difficult for the CoA to develop its relations with parliament. Consequently the parliamentarians continue to have poor knowledge of and understanding for the role of external audit and their own role in processing audit findings.

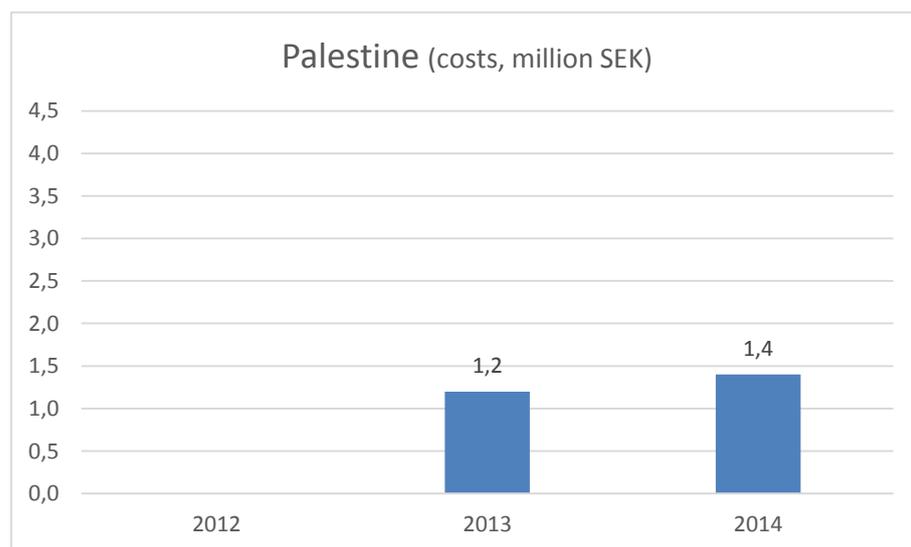
The audited agencies are increasingly coming to regard the CoA rather as a support than a control body empowered to take legal action. However, the CoA needs to continue to develop its dialogue with the auditees and work to influence public perception of the CoA as a supreme audit institution rather than a control body.

## Palestine

### *Summary*

Cooperation with the State Audit and Administrative Control Bureau of Palestine (SAACB), was initiated in 2013 and is the most recently started cooperation project. As a complement to other donor initiatives the Swedish NAO works here in support of performance audit in the environmental field. In a short period the Palestine supreme audit institution has published reports and has adopted performance audit as an audit type. However, the unstable political and institutional situation is a clear obstacle to development of the supreme audit institution, which also constitutes a major challenge to cooperation.

### *Project description*



The figure shows the costs for Palestine that were charged to the international development cooperation appropriation in 2013-2014.

### CURRENT PROJECT PHASE 2013–2015

#### *Main focus*

Performance audit and leadership.

#### *Other support*

EU twinning supports the development of financial audit and performance and compliance

audit, leadership, internal and external communication, IT infrastructure etc.

#### EARLIER PROJECT PHASES

Cooperation between the Swedish NAO and the SAACB started in 2013 and supplements the EU twinning project that covers large parts of the SAACB's overall development needs.

#### *Results*

The Swedish NAO's cooperation with Palestine was recently started. Consequently no evaluation has been carried out. The text below is based on the Swedish NAO's assessments of the cooperation.

#### INSTITUTIONAL CONDITIONS

The lack of a functioning parliament means that the SAACB lacks the most important recipient of audit reports. This also means that the process of preparing new legislation with the aim of increasing the SAACB's independence has come to a standstill. The current legislation means that the SAACB is dependent on government decisions on a number of matters, such as the internal structure, setting individual salaries for its employees and decisions on and implementation of travel etc. The lack of independence became clear in May 2014 when the Palestinian auditor general was removed from office after publishing a performance audit report. A new auditor general was appointed in January 2015. The unstable political and institutional situation is an obstacle to the SAACB's development and an obstruction to the cooperation with the Swedish NAO.

#### QUALITY OF AUDIT PROCESSES AND REPORTS

The project aims to increase the Palestine supreme audit institution's knowledge of relevant international standards (ISSAIs) and how they are to be used in Palestine. The Swedish NAO's ongoing support is used by the SAACB to strengthen the professional capacity of the audit groups in gathering strategic intelligence, choosing interesting and relevant areas for potential audits, implementing pre- and main studies and communicating audit findings to the President, the Government and the general public in Palestine.

With the support of the Swedish NAO the SAACB has completed two audits. A number of pre-studies and audit proposals in the environmental field have also been produced within the framework of the cooperation. The Swedish NAO has also helped in communication concerning the reports.

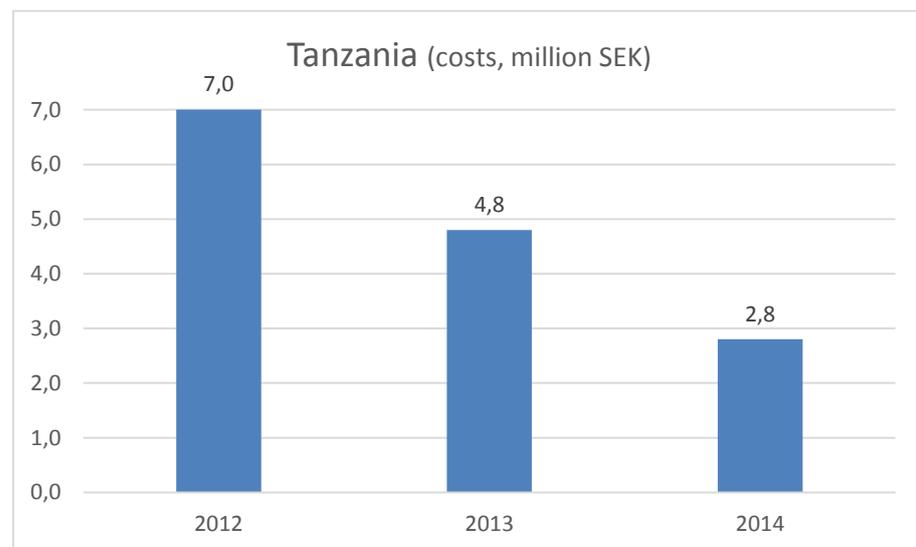
In the opinion of the Swedish NAO the project activities have in a short time contributed to laying the foundation for future sustainable capacity for performance audit in the environmental field in the SAACB. However, the wider institutional conditions are beyond the control of the project.

## Tanzania

### Summary

Cooperation with the National Audit Office of Tanzania (NAOT), is one of the Swedish NAO's more long-standing projects. The cooperation has included financial audit, performance audit, IT audit, IT strategy issues, anti-corruption work as well as leadership and communication. In addition the Swedish NAO has acted as advisor on some legislative issues. Both the quality and the scope of the supreme audit institution's operations have increased during the period of cooperation. The institution has succeeded in increasing its capability and capacity in financial audit and IT audit with the help of development and introduction of manuals, IT support, technical competence, audit programmes and development ambassadors. A new IT tool resulted in more effective audit processes for the institution, enabling it to audit more with the same resources. The Swedish NAO has also given support to the NAOT in developing performance audit into an operation that audits with improved quality and increased relevance.

### Project description



The figure shows the costs for Tanzania that were charged to the international development cooperation appropriation in 2012-2014. The reduced costs are primarily explained by a gradual decrease in the Swedish NAO's support in the form of long-term advisors.

### CURRENT PROJECT PHASE 2013–2015

#### *Main focus*

Financial audit, performance audit, IT audit, anti-corruption work and leadership.

#### *Other support*

GIZ finances a long-term advisor with tasks mainly in the areas of administration, operations analysis and leadership.

Sida has contributed financially to NAOT since 2004. The support has been used for recruitment and

professional development of staff, building up regional offices, developing infrastructure, methods and IT support as well as improving independence through amended legislation.

#### EARLIER PROJECT PHASES

The Swedish NAO has cooperated with the NAOT since 2004. The first phase of the project (2004–2008) focused on financial audit, performance audit and revising the legislation on public auditing for the NAOT.

In the second phase (2008–2012) AFROSAI-E's new financial audit manual was further developed and introduced, at the same time as performance audit at the NAOT was considerably developed.

From 2004 until spring 2014 the Swedish NAO has had a long-term advisor in place in Dar es Salaam, as coordinator and strategic and practical leadership support. In 2005–2012 the Swedish NAO also had a long-term advisor to support development in financial audit.

#### *Results*

In 2012 there was an external evaluation of the cooperation between the NAOT and the Swedish NAO.<sup>26</sup> Both the quality and scope of the NAOT's audit activities have improved considerably during the period of cooperation. At the same time continued support is needed to ensure long-term sustainability. In light of this the cooperation was extended to cover a new three-year period; 2013–2015. One of the challenges concerns maintaining development while the NAOT is heavily involved in its role as UN auditor during the period 2012–2018.<sup>27</sup> A hundred or so auditors and managers are involved in the UN assignment.

The bilateral support the NAOT has received from Sida for physical improvement to the office, combined with the Swedish NAO's support to developing competence and processes, has increased the impact of the total investment.

#### INSTITUTIONAL CONDITIONS

In the first cooperation phase the NAOT was supported by the Swedish NAO in the process of developing proposed new legislation, which was subsequently approved by parliament. In the second phase of the project the legislation was implemented and the NAOT's independence was further strengthened. The new legislation was put to a severe test when the Government proposed a reduced budget for the NAOT a few years ago. The parliament did not approve this proposal, as it risked restricting the audit mandate.

The Swedish NAO in recent years has assisted the NAOT in its dialogue with Tanzanian government representatives and the commission that is

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<sup>26</sup> *National Audit Office Development Project (NAODP), Evaluation of NAODP phase II – the institutional capacity building project of the National Audit Office of Tanzania supported by the Swedish National Audit Office and Sida*, 23 July 2012, Finn Hedvall, Gerhard Joubert, Martha Luleka and Lennart Widell.

<sup>27</sup> The NAOT is a member of the UN Board of Auditors together with the supreme audit institutions of the United Kingdom and India.

drawing up a new constitution aimed at further strengthening the NAOT's financial and practical independence.

#### QUALITY OF AUDIT PROCESSES AND REPORTS

Through development and introduction of manuals, IT support, technical skills, audit programmes and development ambassadors in various areas the SAI has succeeded, with the support of the Swedish NAO, in improving the capability and capacity of its employees in financial audit and IT audit. The quality of performance audit reports has also been improved.

At the same time major challenges remain. The quality of financial audit needs to be raised further and IT audit needs to be applied to a greater extent, for increased sustainability of development. The strategic focus of performance audit needs to be improved, and communication and dissemination of audit findings need developing.

With the assistance of the Swedish NAO the NAOT has introduced a new IT support tool in 200 audits in the space of four years. The IT support has made it possible for the NAOT to replace the manual audit process using IT tools that improve efficiency of the audit process and enable more to be audited with the same resources.

Within the framework of the long-standing cooperation with the Swedish NAO the NAOT has developed performance audit into an operation that has better quality audit and focuses on relevant areas in Tanzanian society. In the course of the cooperation performance audit has expanded from a few employees to the current figure of about 25. Production is stable at a relatively sound level, but only recently has there been access to a manual of sufficiently high quality. Recently cooperation has moved towards focusing more on supporting operative managers.

Some processes still have deficiencies and there is no critical mass of internal competence to enable the NAOT to continue to develop using only its own resources.

In 2014 the increased focus on leadership support in the audit process has led to improved capability in the NAOT, in both financial audit and performance audit as well as in the area of anti-corruption. Performance audit competence has been further strengthened through a first joint advanced training programme for the SAIs in Kenya, Tanzania and Uganda.

#### QUALITY IN RELATIONS

Within the framework of the cooperation the NAOT has conducted seminars on performance audit for external stakeholders, including parliamentarians on various audit committees, so as to contribute to more effective processing of audits in parliament and increased impact for the reports with the help of the media.

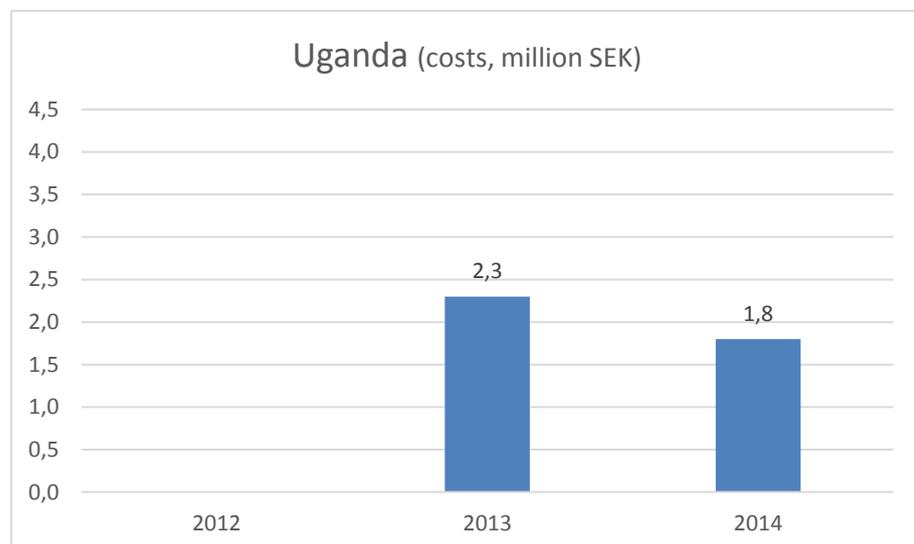
The NAOT's relations with parliament have been developed in recent years. There is increased awareness and knowledge of the SAI's role and remit, as well as the necessity for parliament to act on audit matters. The finance ministry has also created a new unit tasked with monitoring audit matters.

## Uganda

### Summary

In Uganda the Swedish NAO has been supporting the Office of the Auditor General of Uganda (OAGU) since 2013 in financial audit, leadership and communication. The support has strengthened the analytical capacity of performance audit. The institution uses increasingly complex methods in its audits. In financial audit the Swedish NAO has primarily contributed to the development of the OAGU's quality and methods, where material developed within AFROSAI-E has been an important component. Media training has also increased the managers' knowledge of how to proactively increase the impact of audit through the media.

### Project description



The figure shows the costs for Uganda that were charged to the international development cooperation appropriation in 2013-2014. After a cost-intensive start-up phase the project has now been consolidated to a reasonable level.

### CURRENT PROJECT PHASE 2013–2015

#### *Main focus*

Financial audit, performance audit, leadership, communication and HR, as well as the relation to the parliament.

#### *Other support*

The Office of the Auditor General of Norway offers support for audit of Uganda's extractive industries. The UNDP supports development of IT infrastructure, improved reporting and audit at local level, among other things. GIZ finances development of infrastructure and logistics, both as relations with external stakeholders and staff training. Through the PFM reform the supreme audit institution also shares in training initiatives.

#### EARLIER PROJECT PHASES

The cooperation with the OAGU was started in March 2013 and in a first phase will continue up to and including June 2015.

#### *Results*

The cooperation has existed for less than two years and no evaluation has yet been made. It is therefore too early to express an opinion on the long-term results and effects of the cooperation. The Swedish NAO's assessments are based on the regular follow-ups made within the project.

#### INSTITUTIONAL CONDITIONS

The OAGU has an extensive mandate regulated in the Act on Audit of State Activities etc. of 2008. They are to audit and report on audits performed of the consolidated central government accounts and all central government agencies, including the courts, university, state-owned companies and local authorities. They also have a mandate to implement performance audit on all projects that are fully or partly financed with public funds, even when these funds are channelled to private companies. The OAGU is relatively independent, both formally and in practice and is a strongly expanding SAI with high ambitions in all areas of development.

#### QUALITY OF AUDIT PROCESSES AND REPORTS

The Swedish NAO has supported the OAGU in performance audit, mainly for the purpose of improving the quality of the OAGU's reports. The main emphasis has been on strengthening analytical capacity, using different methods and developing more reader-friendly reports. The OAGU is now using increasingly advanced methods in its analysis. For example, with the support of the Swedish NAO audits are conducted in which advanced quantitative methods are applied.

The OAGU has a good capacity in financial audit. The cooperation with the Swedish NAO has therefore mainly meant support to the OAGU's quality and method department in the work of implementing ISSAIs, in accordance with the manual developed for the region by AFROSAI-E.

#### QUALITY IN RELATIONS

The relation with the media is seen as an important area for development. Consequently, the auditor general and other members of senior management have received media training as part of the cooperation. Managers of the OAGU's regional offices have also learned more through media training about how to proactively increase the impact of the annual report from the regions through the media. The Communications department was also trained for the purpose of strengthening the SAI's external relations.

Getting media impact for the annual report has been a challenge for the OAGU. The report is considered far too extensive and detailed. Some of the cooperation has therefore concerned supporting the organisation in preparing an easily accessible summary, to be used in connection with publication and media activities.

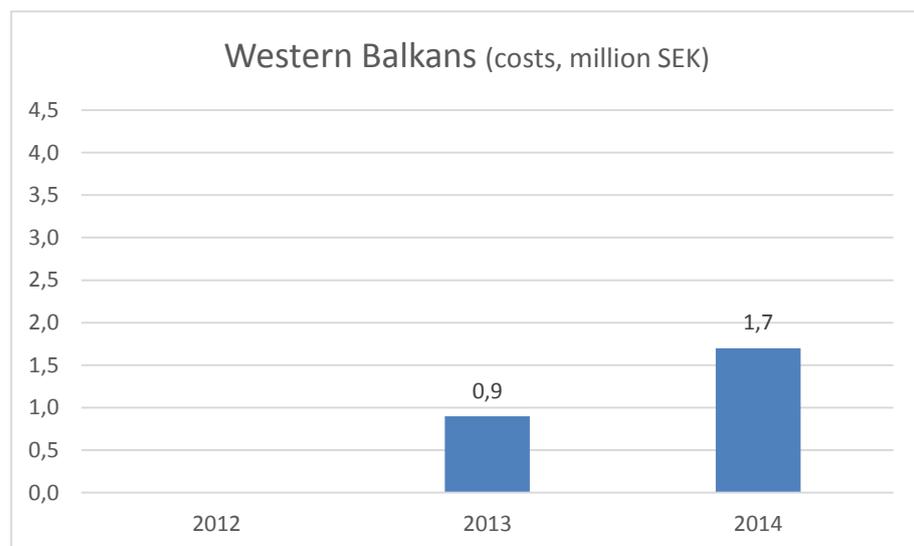
All in all this has led to the SAI being featured more often in the media and in a positive light.

## Western Balkans

### *Summary*

The regional cooperation in the Western Balkans was initiated in 2013 and aims to supplement and strengthen bilateral cooperation already established with Bosnia Herzegovina and Kosovo. A parallel audit project in performance audit has been particularly successful, in which the EU Joint Working Group on Audit Activities (JWGAA) and the European Court of Auditors are partners. The Swedish NAO also supports the augmentation of operative leadership capacity of the supreme audit institutions in the Western Balkans. In this cooperation the Swedish NAO has been able to act as a neutral catalyst to contribute to ensuring that the cooperation initiatives that exist are really implemented despite historical conflicts in the region.

### *Project description*



The figure shows the costs for the Western Balkans that were charged to the international development cooperation appropriation in 2013-2014.

### CURRENT PROJECT PHASE 2014–2015

*Main focus* Performance audit and financial audit.

### EARLIER PROJECT PHASES

The cooperation started in 2013.

### *Results*

No evaluation has been made since the cooperation was recently started. The text is therefore based on the Swedish NAO's performance analysis based on ongoing monitoring of activities. The project aims to create a platform for

regional cooperation between the supreme audit institutions in Albania, Bosnia Herzegovina, Kosovo, Serbia and Turkey. There has previously been some exchange, but for political and financial reasons it has proved useful to have a neutral catalyst to ensure that the cooperation initiatives that exist are actually implemented. The Swedish NAO has successfully taken on this role.

#### QUALITY OF AUDIT PROCESSES AND REPORTS

Regional cooperation provides considerable synergy effects and added value. In 2014 the Swedish NAO was a catalyst for cooperation, through working in a concrete way in four sub-projects where the initiative comes from the SAIs in the Western Balkans.

- The Swedish NAO supports the Serbian supreme audit institution in auditing the Serbian central bank.
- Parallel audit between the SAIs in Kosovo and Albania, initiated by the Kosovo supreme audit institution.
- Parallel audits in energy efficiency, initiated within the framework of the JWGAA, a working group linked to the EU behind which is also the European Court of Auditors. The Swedish NAO is co-financer and participates as expert.<sup>28</sup>
- Strengthening of operative management capacity in the supreme audit institutions in the Western Balkans<sup>29</sup> to enable them to independently conduct coaching and quality assurance in the audit processes.

The Swedish NAO cooperates with the JWGAA network, which network meets regularly both at high management level and at case officer level and discusses common issues.

It is too early to measure sustainable results from this new way of working regionally. However, follow-up shows that past activities, training and seminars are appreciated and that knowledge from regional cooperation is highly applicable in the individual audit work. The EU and EU harmonisation of the countries' legislation is in this context a uniting factor in the region. The support of the Swedish NAO in this project has been mainly aimed at professional development of auditors, which supplements the instruments used by the EU; twinning projects and seminars for the senior management level.

## 4 Conclusions and success factors

Based on the evaluations made and our own lessons learned from activities the Swedish NAO has identified crucial factors for success and a number of general conclusions applicable to the activities as a whole.

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<sup>28</sup> Three supreme audit institutions in Bosnia and Herzegovina and the supreme audit institutions in Kosovo, Albania, Serbia, Montenegro and Turkey are included in parallel audit projects.

<sup>29</sup> Two supreme audit institutions in Bosnia and Herzegovina and the supreme audit institutions in Kosovo and Albania participate in developing operative management capacity.

## Own appropriation gives staying power

Thanks to the appropriation at its disposal and its long-standing experience of international development cooperation the Swedish NAO is well-equipped to contribute to the development of supreme audit institutions. As a supreme audit institution the Swedish NAO also has the collective competence and experience necessary to support the development of an organisation's capacity to conduct public sector audit. The combination of these factors means that the Swedish NAO is uniquely able to offer flexible and long-term support, adapted to the needs and background of the partner organisations. As a result the Swedish NAO is a valued and sought-after partner.

At the same time it is important not to regard the Swedish NAO as a regular aid organisation in relation to its partners. The Swedish NAO is a sister organisation that meets its partners in a collegial relationship and that provides assistance in both the audit professions and in leadership and support functions, such as HR, IT and communication. Long-term relations are created between sister organisations that continue to have an impact even after completion of cooperation projects.

The benefit of the support is further augmented in that in each project the Swedish NAO strives to ensure that cooperation is in line with ongoing reforms in public administration in other respects and the SAI's own priorities and strategic plans.

## Long-term cooperation – advantages and challenges

Capacity building takes time, regardless of whether it concerns development of methods, competence or leadership or organisational changes and development of relations with parliament, auditees, media, citizens or other stakeholders.

The purpose of the Swedish NAO's international development cooperation is that partner organisations will in the long term be able to conduct their activities with good quality and continually develop them to relate to a changing environment. The knowledge that the cooperation can – and should – be very long-term may, however, sometimes entail a risk that cooperation methods and processes are not sufficiently adapted to the pace of development of the partner organisation. As part of managing this risk the Swedish NAO normally works with project periods of no more than three years at a time and monitors and evaluates results achieved on a regular basis. Thus, one challenge in this type of cooperation is working to promote sustainability in operations from the start and seeing an end to the cooperation and that this end is positive when the cooperation partner has developed sufficiently. It is difficult to maintain a high and even drive for effective change over many years.

Part of creating sustainable development is that in several projects the Swedish NAO engages local or regional expertise as project support. For example, in Uganda and Kenya the Swedish NAO cooperates with the South African supreme audit institution when developing HR and communications. In Georgia and Moldova the Swedish NAO has invited colleagues from Latvia to share their experiences of corresponding change processes now

taking place in Georgia and Moldova. In both Moldova and Bosnia Herzegovina the Swedish NAO also has local employees who facilitate adaptation to the local context.

Continuity of staffing is also a crucial success factor in long-term cooperation. There are a number of key people in both the Swedish NAO and the partner organisations that affect outcomes. Successful cooperation builds on established mutual trust between organisations, but also between individuals. In some projects, including Moldova and Kosovo, the Swedish NAO has had a higher turnover of its own staff than is desirable. To promote continuity and reduce vulnerability in cooperation the Swedish NAO has for a number of years worked with country-specific project teams, to which employees are linked.

## The significance of leadership

Supreme audit institutions are typically knowledge organisations, which require effective leadership that not only believes in the need for development but also actively promotes change. Managers, project leaders and engagement leaders in audit operations therefore play a central role in linking employees' skills together into a coherent organisational capacity to apply audit and analytical methods.

Many of the partner organisations suffer from high staff turnover. When employees have developed their competence and capacity their employability improved, which means that many leave the organisation for assignments with higher status and salary. To be able to match employees' development the SAIs must develop the career structure and reward system for the work so as to be able to offer development opportunities. This poses new challenges to the leadership.

Experience from Bosnia Herzegovina, Kosovo and Tanzania shows the challenges the organization and development encounter when leadership is deficient, i.e. there are significant vacancies in top management positions. In the same countries there are also examples of how crucial it is for the activities to have an appropriate organisation with effective middle managers.

## The role of the parliaments

Regardless of how well developed a supreme audit institution is, the organisation risks having no effect unless there is capacity to receive reports and possibilities to implement recommendations in the public administration. The Swedish NAO supports the development of supreme audit institutions' contacts with parliament in several countries.

Parliaments also play a decisive role as legislators that can guarantee the independent role of supreme audit institutions and regulate their mandate. In this area the Swedish NAO's support has had a positive effect in several countries and the work continues in other countries. In some cases, including Cambodia, Georgia and Moldova, the supreme audit institution has a mandate and remit to conduct audits in accordance with international standards, but at the same time the public administration lacks the structure

that would make it possible. It may be a matter of having no accounting framework to refer to when auditing or that the agencies and ministries do not produce and approve annual reports that the supreme audit institution can audit.

## Drivers in change processes

Both INTOSAI and in some cases regional organisations such as AFROSAI-E play an important role in influencing the agenda for the development efforts of supreme audit institutions. By for example deciding on standards, developing guidelines and manuals as well as setting common targets for a region these organisations give SAIs clear desirable goals. They also contribute both models and resources for monitoring achievement of objectives.

In both the Balkans and the rest of Eastern Europe the EU plays a central role in driving development forward, since the EU's support is often linked to certain reform requirements. This applies not least in relation to the "acquis communautaire", i.e. the common rights and obligations that are used for example in the enlargement processes that each candidate country must approve in order to apply for membership. One risk is that the EU requirements bring about formal decisions, structures and processes that live up to EU legislation, but the capacity to act in accordance with these decisions, structures and processes is lacking.

In many countries, including Georgia, Moldova and Cambodia, the change process concerns changing both organisations, cultures and expectations – from control activities to audit in accordance with international standards. As control bodies the institutions' work previously focused on detailed control, fault finding and punishment of those responsible. As supreme audit institutions they are expected to conduct audits based on an assessment of risks and materiality, for the purpose of preventing problems and promoting transparency and sound management in public administration.

## Regional cooperation

In recent years the Swedish NAO has worked actively to support cooperation between supreme audit institutions within a region. Implementing measures with several institutions simultaneously has natural advantages, since the same activity can reach more people. In addition colleagues and organisations with similar frames of reference can learn from each other. Thus there is clear added value in both the economic effectiveness and leveraging effects of exchanges between auditors that are made possible by the Swedish NAO's support. One disadvantage may be that the activities will not be equally well adapted to the specific needs of the institutions.

The Swedish NAO has worked successfully for many years with the regional cooperation organisation AFROSAI-E. In 2014 the Swedish NAO also took part in activities arranged by ASEANSAI, a regional cooperation organisation in South East Asia. As of 2015 the Swedish NAO's commitment to ASEANSAI is increased, which will mean that the Swedish

NAO can reach many supreme audit institutions in the region and support their introduction of audit in accordance with international standards.

Also in the Western Balkans the Swedish NAO is supporting regional cooperation to promote the exchange of information and experience and mutual learning between the supreme audit institutions. The Swedish NAO fulfils an important role here as a neutral catalyst in an environment that is characterized by tensions and internal conflicts.

Experiences to date of regional cooperation are that it provides conditions for learning and exchange that supplement bilateral cooperation well. Establishing forms of cooperation between neighbouring countries also creates conditions for ensuring in the longer term that activities in the supreme audit institutions are developed.