

GOVERNANCE, LEADERSHIP *and Accountability*



United Nations
Office of Internal Oversight Services Symposium
United Nations Headquarters, New York City,
September 10, 2004

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

Three Key Elements for Success

Incentives

Transparency

Accountability

Contributing Elements

Government Examples

Incentives

- Rule of law
- Civil Service
- Checks and balances

Transparency

- Financial disclosure
- Due process
- Free press

Accountability

- Enforcement of laws
- Oversight
- Independent judiciary

Contributing Elements

SAI Examples

Incentives

- Independence
- Resources

Transparency

- Protocols
- Public reporting

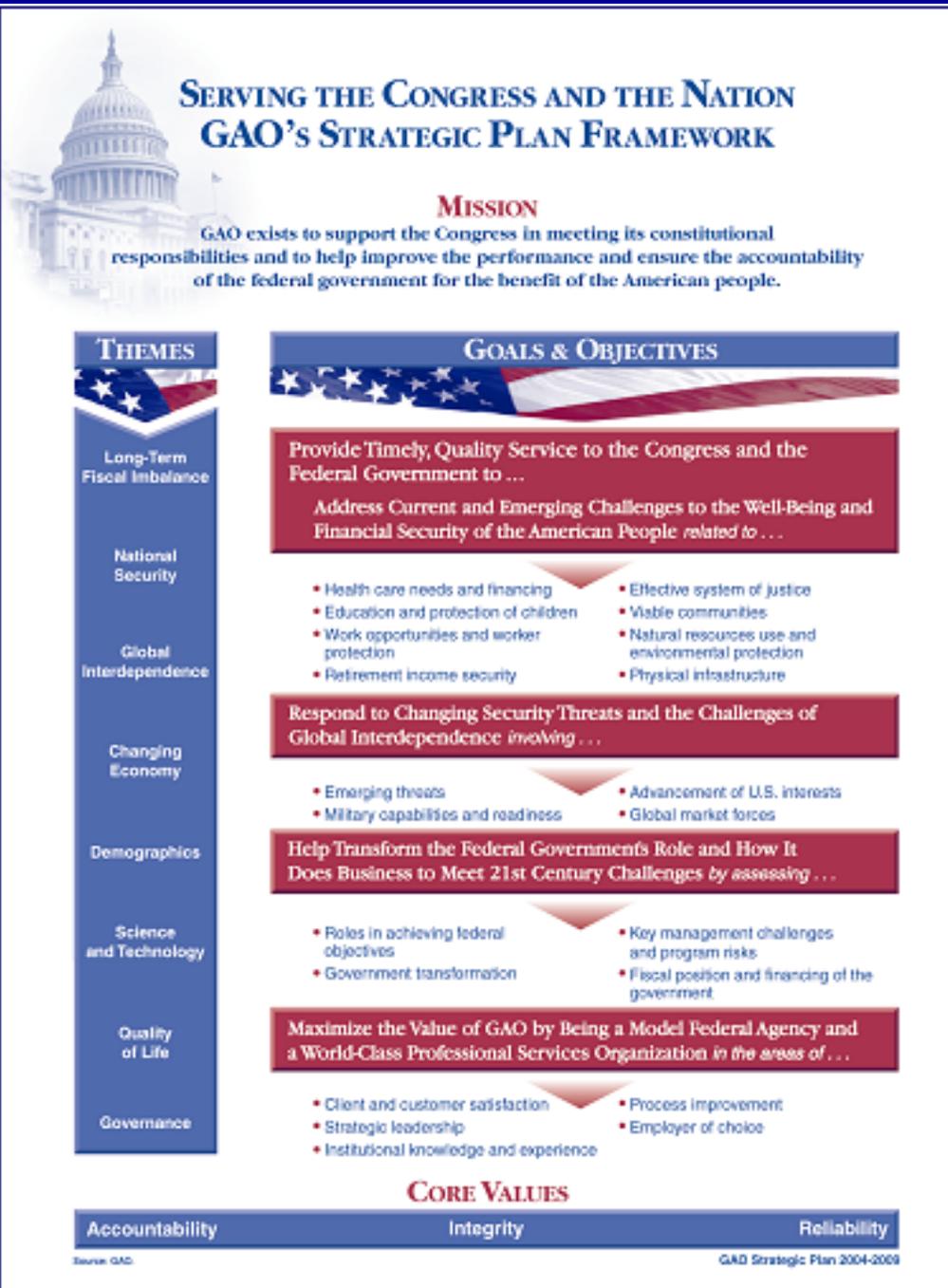
Accountability

- Enforcement of access rights
- Peer review

Possible SAI Roles



GAO's Strategic Plan



Selected Key Concepts for GAO

MISSION

Improve performance and assure accountability, both for today and tomorrow

MEANS

Oversight, insight, and foresight

METHODS

Leading by example and promoting best practices

- Observing protocols
- Employing a constructive engagement approach with entities we audit and evaluate
- Partnering with fellow accountability and selected “good government” organizations

Four Key Success Elements

- Results
- Clients
- People
- Partnerships

Annual Performance Measures

(1998 and 2003)

Performance measure	Actual	
	FY 1998	FY 2003
Financial benefits (billions)	\$19.7	\$35.4
Other benefits	537	1043
Past recommendations implemented	69%	82%
Return on investment (ROI)	58:1	78:1
Financial benefits per employee (millions)	\$6.1	\$10.8
Timeliness	93%	97%

Accountability Partnerships to Address Common Challenges

- Partnerships are a key enabler of change and help to leverage available resources
- Opportunities for collaboration/cooperation
 - Professional Standards
 - Methodologies
 - Best practices
 - Lessons learned
 - Coordinated engagements

Key GAO Partnerships



Evolving Challenges for Governments and SAIs

- Public expectations of government are changing:
 - Zero tolerance for corruption
 - Desire for enhanced results and improved responsiveness
 - Selected trends and challenges that have no boundaries
 - Long-Term Fiscal Imbalances
 - Security Concerns
 - Global Interdependence
 - Changing Economy
 - Demographics
 - Science and Technology
 - Quality of Life
 - Governance

We Need a Multi-Faceted Approach to Close the Long-term Fiscal Gap

- **Policy**

- Restructure existing entitlement programs
- Reexamine the base of discretionary and other spending
- Review and revise our tax policy and enforcement programs

- **Operations**

- Reassess and revise how the government does business (e.g., management, planning and operational issues)
- Consider who should provide government services (e.g., sourcing strategy)

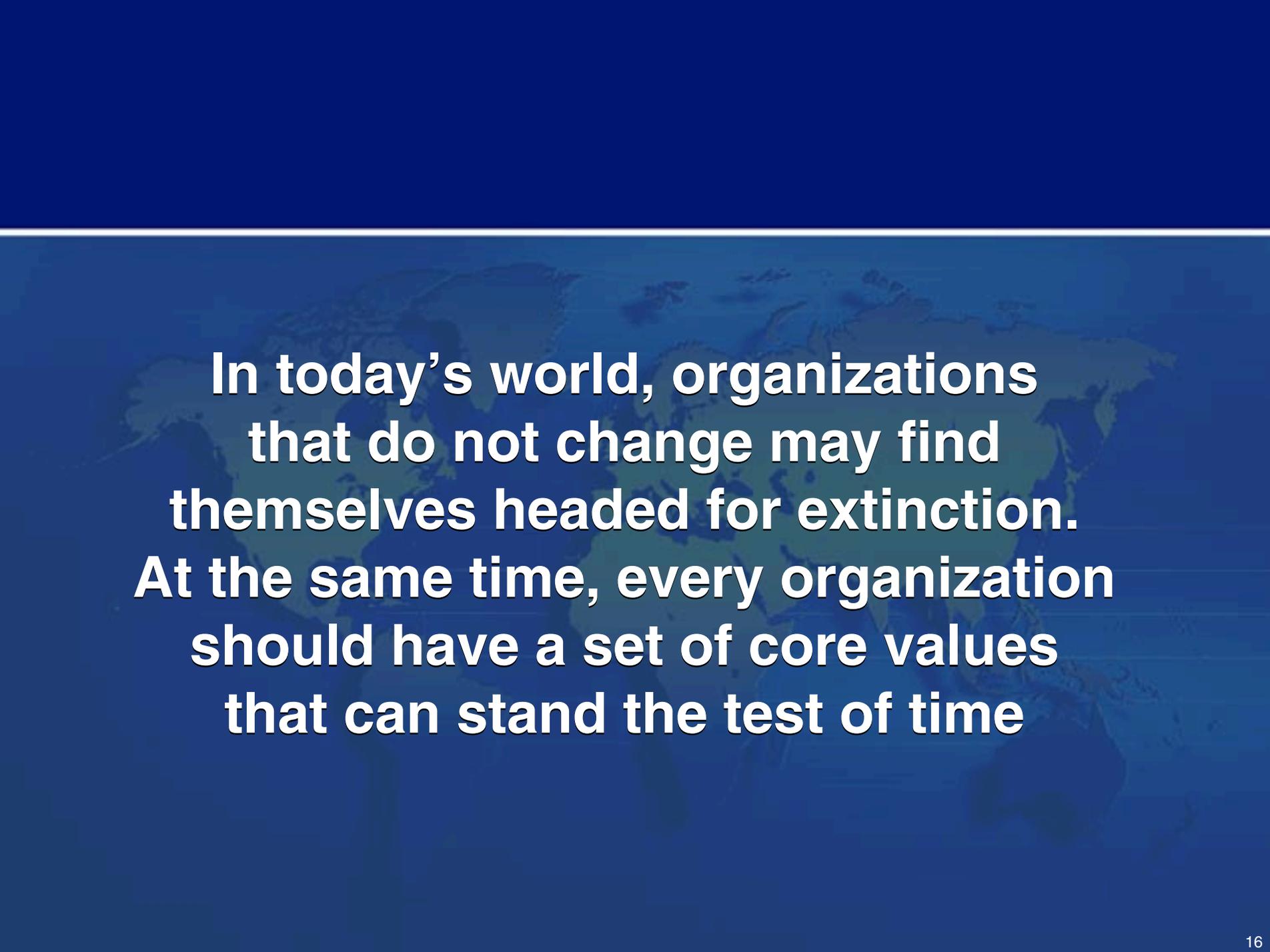
Trans *FORMATION*

Webster's definition

**An act, process, or instance
of change in structure
appearance, or character**

**A conversion, revolution,
makeover, alteration, or
renovation**

Transformation is about
CREATING the future rather than
PERFECTING the past.
Effective **HUMAN CAPITAL**
strategy is key to any
SUCCESSFUL
transformation effort

A faint world map is visible in the background of the slide, centered behind the text. The map shows the continents in a light blue color against the darker blue background of the slide.

In today's world, organizations that do not change may find themselves headed for extinction. At the same time, every organization should have a set of core values that can stand the test of time

Selected GAO-Related Activities

- Speeches and Outreach Efforts
- Financial Literacy Efforts
- CG Forums
- High Risk Update Report
- 21st Century Challenges Report
- Various Congressional Consultation and Assistance Efforts
- Public Education Assistance
- Constructive engagement efforts (e.g., best practices guides, self assessment tools, benchmarking statistics)
- Leading by example

GAO's High Risk List

High Risk Areas

Designated High Risk

Addressing Challenges in Broad-based Transformations

Protecting Information Systems Supporting the Federal Government and The Nation's Critical Infrastructures	1997
Strategic Human Capital Management*	2001
U.S. Postal Service Transformation Efforts and Long-Term Outlook*	2001
Implementing and Transforming the New Department of Homeland Security	2003
Modernizing Federal Disability Programs*	2003
Federal Real Property*	2003

Ensuring Major Technology Investments Improve Services

FAA Air Traffic Control Modernization	1995
IRS Business Systems Modernization	1995
DOD Systems Modernization	1995

Providing Basic Financial Accountability

DOD Financial Management	1995
IRS Financial Management	1995
Forest Service Financial Management	1999
FAA Financial Management	1999

Reducing Inordinate Program Management Risks

Medicare Program*	1990
Collection of Unpaid Taxes	1990
DOD Inventory Management	1990
Student Financial Aid Programs	1990
HUD Single-Family Mortgage Insurance and Rental Assistance Programs	1994
Earned Income Credit Noncompliance	1995
DOD Support Infrastructure Management	1997
Medicaid Program*	2003
Pension Benefit Guaranty Corporation Single-Employer Insurance Program*	2003

Managing Large Procurement Operations More Efficiently

DOD Weapon Systems Acquisition	1990
Department of Energy Contract Management	1990
NASA Contract Management	1990
DOD Contract Management	1992

*Additional authorizing legislation is likely to be required as one element of addressing this high risk area.

Transformation: A New Model for Government Organizations

Government organizations will need to:

- Become less hierarchical, process-oriented, stovepiped, and inwardly focused.
- Become more partnership-based, results-oriented, integrated, and externally focused.
- Achieve a better balance between results, customer, and employee focus.
- Work better with other governmental organizations, non-governmental organizations, and the private sector, both domestically and internationally, to achieve results.

Key Transformation Elements

- People
- Process
- Partnerships
- Technology
- Environment

The most important of the five is **PEOPLE** —
an agency's human capital.



GAO: Leading by Example

- Mission and vision clarification
- Core values: accountability, integrity, reliability
- Strategic planning
- Organizational realignment
- Definitions of success
- Multi-tasking and matrix management
- Procurement, contracting, and acquisition
- Human capital
- Knowledge management
- Financial management
- Client service/external agency relations and protocols
- Enhanced products and services
- Constructive engagement with agencies
- Information technology
- Partnering with other accountability and “good government” organizations

Accounting Profession Transformation Challenges

- The collapse of Enron, Arthur Andersen and other recent events in the private sector have served to increase the visibility of and concerns relating to a range of issues, including:
 - The effectiveness of current regulatory, oversight and enforcement activities.
 - The adequacy of the current accounting and reporting model
 - The independence and effectiveness of auditors
 - The adequacy of existing pension rules
 - The nature and reasonableness of executive compensation
 - The roles of other key players (e.g., management, boards, analysts, attorneys, investment advisors)
 - The appropriateness of current corporate governance structures
- Definitive actions are needed by a range of parties to address legitimate concerns, better protect the public interest, and restore investor confidence (e.g., Congress, stock exchanges, management, boards, CPAs)
- Government has both the need and the opportunity to lead by example in some important areas

Selected Government Accountability Issues

Leading by Example

- **Definition of success in financial management**
 - Clean opinion on financial statements
 - No major control weaknesses
 - No major compliance issues
 - Systems that produce timely, accurate, and useful financial and management information
- **Scope of audit**
 - Internal controls (current)
 - Compliance matters (current)
 - Performance and projection information (future)
- **Additional issues**
 - Strengthen the capacity and independence of standard setters (e.g., FASAB)
 - Accelerated financial reporting
 - Audit/financial management committees
 - Auditor independence
 - Established the audit standards coordinating forum

GAO's Work to Modernize the Accountability Profession

GAO is actively working to modernize and transform the accountability profession both inside the government and in the private sector, and to lead by example in this area.

- opinion on system of internal control
- Independence Standard issued in 2002
- assistance to the Congress in evaluating accountability profession issues and needed reforms prior to the Sarbanes-Oxley Act
- 2003 revision of *Government Auditing Standards*
- creation of the U.S Auditing Standards Coordinating Forum
- coordination with accountability organizations around the world
- comment on proposed standards
- monitor implementation of the Sarbanes-Oxley Act
- Sarbanes-Oxley studies on accounting firm consolidation from Big 8 to Big 4 and on mandatory audit firm rotation
- definition of success in financial management: clean opinion, no major weaknesses in controls or compliance, and financial systems that produce timely, accurate and useful information for management
- enhance federal financial management, reporting, and accountability

INTOSAI's Strategic Plan



INTOSAI STRATEGIC PLAN FRAMEWORK 2005 - 2010

MISSION

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

VISION

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

STRATEGIC GOALS

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

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

■ **Goal 2: Institutional Capacity Building**

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

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

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

■ **Goal 4: Model International Organization**

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

CORE VALUES

INDEPENDENCE INTEGRITY PROFESSIONALISM CREDIBILITY
INCLUSIVENESS COOPERATION INNOVATION

Three Key Ingredients Needed for These Challenging and Changing Times

- *Leadership*
- *Integrity*
- *Innovation*

GOVERNANCE, LEADERSHIP *and Accountability*



United Nations
Office of Internal Oversight Services Symposium
United Nations Headquarters, New York City,
September 10, 2004

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