

Fighting Corruption, Enhancing Performance and Assuring Accountability

Fighting Corruption, Enhancing Performance and Assuring Accountability XI OLACEFS Assembly Panama City, Panama, August 22, 2001

David M. Walker, CPA
Comptroller General of the United States

INTRODUCTION

(SLIDE: Presentation Cover)

- President Alvin Weeden, Secretary General Pilar Burgos, Dr. Enrique Lau, fellow SAI's, delegates of member countries, and observers attending this assembly, ladies and gentlemen.
- On behalf of my agency - the United States General Accounting Office (better known as GAO) - I am pleased and honored to be here today to address this important assembly of Latin American and Caribbean supreme audit institutions.
- I am also pleased to join my distinguished colleagues, Dr. Sergey Stepashin, and Carlo di Florio, in addressing the critical need to identify and combat corruption.
- Fighting corruption is a global challenge and a never-ending effort for all supreme audit institutions (SAIs). We must work together to win the war against corruption, since in today's inter-connected and borderless cyber world, the nature and spoils of corruption frequently require a multilateral effort.
- I believe that we are making real progress but much remains to be done by many countries.

(SLIDE: Three Key Elements for Success)

- To be successful in this and other areas, three key elements must be addressed (i.e., incentives, transparency and accountability). Namely, there must be incentives to do the right thing, transparency to help assure that the right thing is done, and accountability if the right thing is not done.
- SAI's are well positioned to lead by example in helping to fight corruption, enhance the performance and assure accountability of government for the benefit of our respective citizens. We must lead the charge in the fight to achieve these important objectives.
- As my favorite former U.S. President Theodore Roosevelt, or Teddy Roosevelt, once said: "It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, and comes up short again and again, because there is no effort without error or shortcoming; who knows the great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who know neither victory nor defeat."
- As SAI's, we are clearly in the arena, and we must do our best to prevail in this fight.
- We must also lead by example, by being above reproach and a symbol of integrity in government.
- To win the war against corruption and serve the citizens well, both the country and the SAI need to take certain steps.

INFRASTRUCTURE AND GOVERNANCE THEMES

- My remarks today will primarily be focused on SAI's. However, it is important to recognize that a country's governance infrastructure plays an important part in the fight against corruption.
- One way to examine this basic infrastructure and the application of the three key elements I mentioned is through the following two illustrations.

(SLIDE: Government)

- Governments require a foundation upon which to build. Most governments have three main functions (i.e., executive, legislative and judicial) and a base governing document. For example, in the United States, we have three separate but equal branches of government and our Constitution represents our base governing document. As such, our Constitution is the supreme law of the land. Our host country, The Republic of Panama, has a similar structural foundation.
- The three key elements of incentives, transparency and accountability can be viewed as columns or blocks that build upon this foundation in order to support the achievement of higher objectives.
- In the case of government, higher objectives include such items as enhancing the citizens' trust and confidence in their government while promoting economic growth and prosperity.
- This same building block approach can be used in connection with SAI's.

(SLIDE: SAI)

- The SAI's capacity or foundation is based on three key enablers (i.e., people, process and technology). The SAI should also have an appropriate degree of independence to do the right thing. It should also be dedicated to a set of professional standards and core values in conducting all of its work.
- For example, in the United States, as Comptroller General of the United States, I serve as head of the GAO and as the Chief Accountability Officer for the U.S. Government. The Comptroller General position has a 15-year term and can only be removed for cause through formal impeachment proceedings. I can assure you that this will not occur during my tenure.
- In the U.S., we follow the so-called yellow book of governmental auditing standards, and GAO's core values are accountability, integrity and reliability. These words describe what we do, how we do it and how we want our work to be received by our client and the public.
- Having the right combination of incentives, transparency and accountability can contribute to achieving positive outcomes by governments and SAI's.

(SLIDE: Contributing Elements - Government Examples)

- For example, at a government-wide level, the incentives element can include such items as the rule of law, a qualified civil service, and having appropriate checks and balances between and within government functions. Examples of the transparency element include financial disclosure requirements, due process approaches for lawmaking and rulemaking, and acceptance of a free press. Finally, examples of the accountability element include effective enforcement of applicable laws, appropriate oversight activities, and an independent judiciary. These three key contributing elements can also be applied to SAI's.

(SLIDE: Contributing Elements - SAI Examples)

- Examples of the incentives element would include the SAI's independence and resource allocations. Transparency examples would include the SAI's protocols for dealing with its client and stakeholders, and public reporting of the results of the SAI's work. Finally, examples of the accountability element would include the SAI's enforcement of its access authority and having an external peer review conducted on its own work.

AN AUDIT PORTFOLIO MODEL

- By capitalizing on the use of these three key elements, SAI's can perform work in at least three areas that are illustrated by the following audit portfolio model.

(SLIDE: Government and Portfolio Models)

- As you can see from the slide, the first portion of the model involves the fundamental fight against corruption. The fight against corruption must be won in order for the economy to flourish, the government to be credible, and the SAI to be viable.
- Activities in this area deal with detecting and preventing intentional behavior and actions that undermine the will of the people, waste public resources, result in the abuse of power, obscure transparency, or undercut accountability. This typically involves assuring that the right kind of controls are in place and that appropriate oversight activities are occurring.
- The second portion of the model focuses on making government work better, through improving its economy, efficiency, and effectiveness. This involves a range of insight related activities and can involve the use of benchmarking and best practices techniques. Additional SAI resources can be allocated to this area as corruption begins to subside.
- The third portion of the model represents another important potential role for SAIs. That role is the opportunity to look longer range as well as across all government and various geographic boundaries, to help determine the proper role for government and to examine how government should do business in the future.
- The citizens or their leaders and representatives will make the actual determinations on the form of government, the type of economy for the country and the proper role for government. However, SAIs can play an influential role in these areas by speaking out, or as Teddy Roosevelt would say, using the "bully pulpit" to encourage progress, benchmark current operations, identify best practices, and make constructive recommendations for future government operations.

STAGE ONE – FIGHTING CORRUPTION

- In order to illustrate these three areas of SAI work, I'd like to provide you with a few U.S. examples.

(SLIDE: Portfolio Model)

- First and foremost, at a fundamental level, we must have zero tolerance of corruption. Corruption has an adverse impact on the economic growth of any nation and on the ability to form and sustain a democratic form of government anywhere in the world.
- While we must have zero tolerance of corruption, it will never be zero, in any country, even in the United States where domestic corruption is not a major issue. We do, however, have some related challenges.
- For example, GAO has recently reported on the need for the U.S. government to do more to reduce billions of dollars in improper payments each year that result from waste, fraud, abuse and payment errors. This type of work can bring significant results. For example, the U.S. has cut improper payments in one of its largest programs, Medicare, by almost half over the past 5 years from over \$21 billion per year to about \$11 billion per year. This represents significant progress but much remains to be done.
- Government policies that emphasize appropriate incentives, adequate transparency, and assured accountability make for a strong anticorruption regime.
- One way that GAO has promoted transparency in this area is by publishing a "high risk list" every two years. This risk list was first published in 1990. It includes those government programs and functions that GAO feels are especially vulnerable to fraud, waste, abuse or mismanagement. As you might suspect, many of these programs and functions involve significant amounts of money and multiple players, including external contractors. Publication of this list generates light on these areas. With light comes heat, and with heat comes action, and action is what we want. Actions needed to remove these areas from the high risk list. Fortunately, a number of items have been removed from our high risk list since its inception. At the same time, we have added new items during the past ten years. We expect there will be additions, deletions and other modifications over time.
- We are currently witnessing an unprecedented global commitment to fighting corruption and to these principles. There are many examples.
- The Inter-American Convention Against Corruption in 1996, particularly, is a beacon of light for the future, and has now been ratified by many of our governments.
- The second Global Forum on Fighting Corruption and Safeguarding Integrity at the Hague in May of this year declared that corruption can cripple government, discredit public institutions, and undermine society, and that all forms of corruption should be prevented and combated.
- PricewaterhouseCoopers' opacity index, for example, which you will be hearing about later, helps people begin to understand and measure the significant economic effects of corruption.
- Most recently, the Group of Eight Summit in Genoa, Italy, last month recognized that open, democratic, and accountable systems of governance are preconditions for sustainable development and robust growth, and that the Group of Eight would fully support certain United Nations efforts to fight corruption.
- These are important and constructive proclamations. But these proclamations are just words. More importantly, we need to see these and many other words translated into action.
- Last but not least, these conferences and others like it can make a difference if we all follow through and deliver our related opportunities and promises.
- As corruption begins to subside, SAIs have an opportunity to devote more of their work to the second, and even third, areas in the audit portfolio model.

MAKING GOVERNMENT WORK BETTER

(SLIDE: Portfolio Model)

- The second area involves making government work better – by improving the economy, efficiency, and effectiveness of government, along with strengthening financial management and ensuring compliance with applicable laws and regulations. This has long been the staple of most SAIs in countries with transparent and accountable government institutions.
- For example, GAO has long concentrated on this type of work, particularly beginning in the 1960s with the advent of the so-called "Great Society" programs in the U.S. Those programs involved the expenditure of vast amounts of federal money on a large variety of social programs in areas like health, housing, and income security. Our

Congress wanted to assure that GAO not only helped to monitor these programs but it also wanted GAO to provide insights on how to improve their economy, efficiency and effectiveness on these programs.

- This type of work, which was much different from our earlier work examining vouchers, caused us to reorganize, to recruit staff from a variety of disciplines, and to rethink our approaches to training and technology.
- In many ways, this type of work requires an SAI to become a learning organization: one that is adept at understanding the purpose and objectives of government programs, the criteria for measuring their success, the research and analytical tools necessary to perform that measurement, and the skill and knowledge to fashion constructive solutions and recommendations to make those programs work better.
- For example, this work can show that mission fragmentation and program overlap are widespread and that crosscutting program efforts are not well coordinated. In the U.S., for example, there are 12 different federal agencies administering over 35 laws regarding food safety. As a result, the U.S. food safety system suffers from inconsistent oversight, poor coordination, and inefficient allocation of resources.
- This work has also shown the need to better manage our defense programs. It is widely believed that the U.S. military is second to none in meeting its primary mission to win armed conflicts, but as GAO has reported on numerous occasions, our Department of Defense gets poor grades when it comes to economy, efficiency, and related accountability. These problems are especially acute in connection with basic financial management, acquisition practices, and inventory control.
- In some countries there has been tremendous growth in the number of organizations focusing on making government work better. In the U.S., for example, each major federal agency has its own statutory inspector general, and each of the 50 state governments and hundreds of local governments have their own audit offices performing this type of work. Further, many government institutions contract with the public accounting firms to perform financial audits and other work.
- In the U.S., generally accepted government auditing standards, promulgated by GAO, provide a solid foundation for the work performed by all of these audit organizations.

EXAMINING THE ROLE OF GOVERNMENT

(SLIDE: Portfolio Model)

- The third area provides a government audit organization with an excellent platform to begin considering larger issues such as the proper role of government and how government should do business in the future.
- This includes focusing more on results and outcomes rather than on processes and outputs. It includes looking beyond the near-term to longer-term fiscal challenges, including the long-term implications of today's decisions.
- This is foresight related work that, provided there is a healthy regard for the SAI's independence, integrity, knowledge, and experience, should prompt constructive interchange with governmental agencies as they review their programs, resource investments, accountability frameworks and contributions to society.
- The return on investment for this type of initiative can potentially be much greater than the return from other audit work.
- GAO has done a lot of this type of work. For example, GAO has developed long-range budget simulations (i.e., 50 years), identified long-range fiscal challenges, and noted the need to reform existing entitlement programs in order for the U.S. to avoid escalating deficits or tax burdens in the not-too-distant future.
- Recently, GAO expanded our high risk list to include programs that are at risk of not effectively achieving their mission. For example, GAO recently examined the role of the U.S. Postal Service, the second largest employer in the U.S., which is losing money and in many ways is behind as compared to services provided and approaches employed in other countries. We have added the Postal Service to our "high risk list" and testified that the Postal Service needs to look comprehensively at its governance structure, management practices, labor policies, and statutory framework for it to transform and effectively achieve its mission in the 21st century.

USING THE AUDIT PORTFOLIO MODEL

- So what are the steps necessary for SAI's to successfully use the audit portfolio model? What are the people, process, and technology issues that can enable an SAI, primarily focused on one stage of work, to engage in another stage of work? What are some of the building blocks of success?

(SLIDE: Characteristics)

- I believe there are several characteristics that can facilitate moving through the model.
- The SAI needs to have enough independence to do what is right irrespective of the political implications. In this regard, as Comptroller General of the U.S., I may have to sue the Vice President of the U.S. for failing to provide GAO with access to certain records if an accord is not reached within the next 15 days. This would be an unprecedented action that I hope we can avoid, but in the end, SAI's must have a judicial temperament and do what is right from a professional, rather than a political perspective.
- The SAI should have a mission statement and should perform its work consistent with applicable professional standards and a set of core values. As I noted earlier, GAO's core values are accountability, integrity, and reliability. These values serve as a foundation for all the SAI's work and can help guide an SAI in all of its activities.
- It is critical that an SAI – like all organizations - have a strategic and annual planning and reporting process to help provide a framework for its work. The plan should reflect the interests of all clients and stakeholder groups and should be communicated widely.
- The plan should recognize the underlying themes present in the respective country, have clearly stated objectives, and spell out criteria for measuring audit results and successes.
- Some of the themes in GAO's current strategic plan include; increased globalization, demographic trends, changing security threats, rapidly evolving technologies and quality of life considerations.
- Further, the plan should provide the basis for aligning the SAI, for allocating its resources, and for determining the necessary knowledge and skills to do its work.
- An SAI can also benefit from having clearly stated, consistently applied, well documented and transparent policies and procedures – or protocols – for doing its work and for interacting with its clients, agencies and others.
- The SAI should also report annually on its own performance and accountability, including real outcomes achieved with its resources, thus providing a model for the rest of government.
- In the end, the SAI must have the right people, appropriate processes and modern technologies to maximize its own performance and to lead by example.
- An SAI must be able to attract and retain the best and the brightest staff, and to invest in those staff, even if that means asking for new legislative authorities and targeted investments in the human capital arena. After all, SAI's are professional and knowledge based organizations. As a result, our people are our greatest asset.
- An SAI organization also needs to have performance management systems that are designed to help every one achieve their full potential, recognize and reward top performers and deal with poor performers. The performance management must be linked to the SAI's strategic plan and core values.
- SAI's must have processes designed to focus their resources in areas that are likely to generate a higher return either in financial or non-financial terms. They must also have mechanisms and approaches designed to maximize the value and manage the risk of any work they undertake.
- SAI's must have also adequate technological capabilities to perform their work and to share knowledge both within their country and with their accountability partners.
- Finally, an SAI can also benefit from transforming its culture, if necessary. SAI performance can be enhanced if the organization is flatter, more flexible, more results

oriented, more partneural in nature, including with fellow SAI's, and more externally focused.

- In my view, SAI's should also help to facilitate any needed cultural transformation in government through leading by example in all major management and operational areas.
- The above steps can significantly help an SAI position itself, maximize its effectiveness, and maintain its credibility and capabilities both in fact and in the eyes of its client and the public.

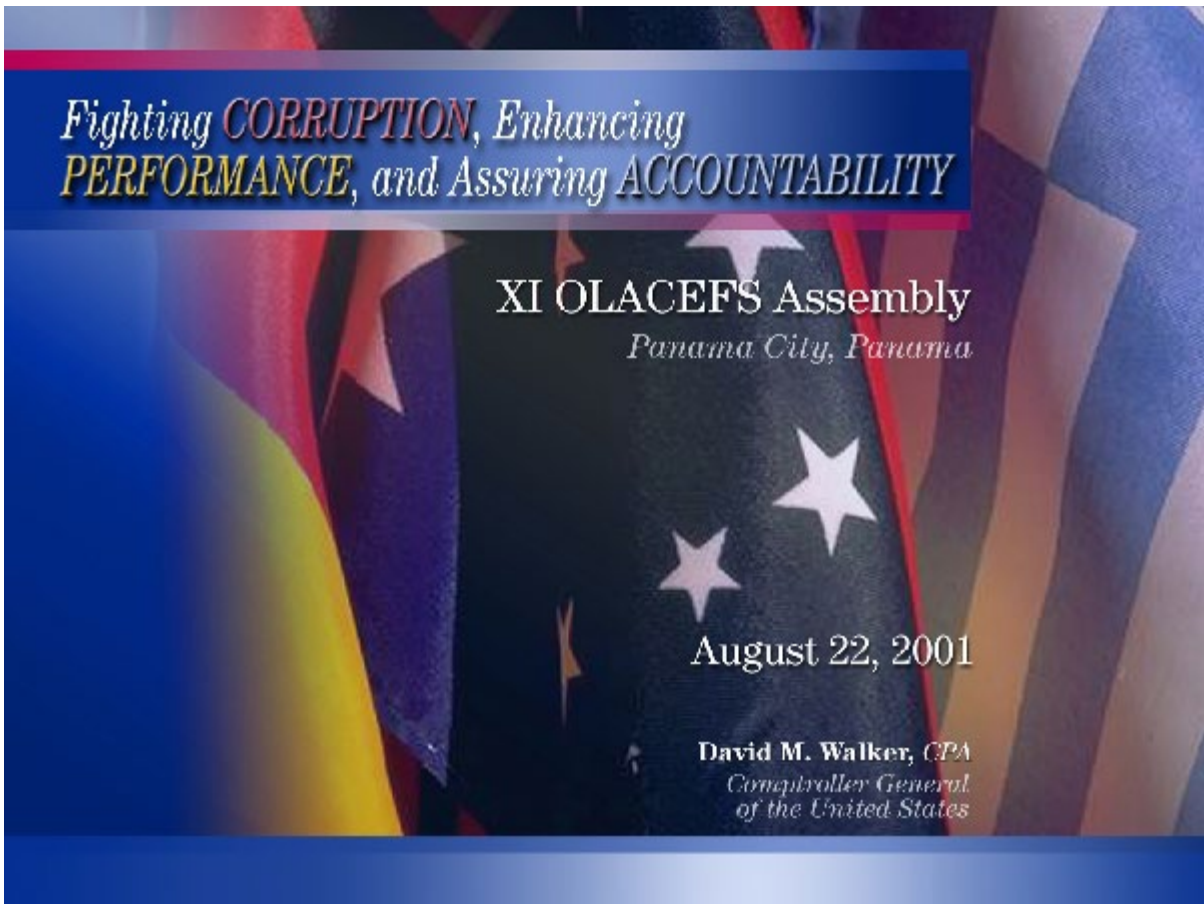
CLOSING

- In closing, I want to reiterate the importance of being ever vigilant against corruption.
- We must work together if we are to win the war against corruption around the world.
- As the PWC representative will note in discussing their Opacity Index, corruption has a real economic cost for a country and its citizens. It also has a corrosive effect and serves to weaken the structural integrity of the government and the country both externally and in the eyes of the country's citizens.
- With regard to the audit portfolio model, I want to stress that the areas of work in the model are not exclusive; like the GAO, many SAIs can and do perform all three types of work at the same time. The amount of resources allocated to each area will, however, vary based on the conditions in each country and the SAI's related capabilities.
- SAIs should lead by example in transforming how government does business. We must be a model of integrity. We should assure we take steps to maximize our own performance and accountability while encouraging the government to take the necessary steps to enhance the public's respect for and confidence in their government both now and in the future.
- In the words of Teddy Roosevelt, who with the Panamanian people embarked on the great Panama Canal project at the beginning of the 20th Century, "aggressive fighting for the right is the noblest sport the world affords."
- SAIs are in the front line of this fight. Let's win it!
- We at GAO will continue to do our part and to help others. Help themselves in these important areas through INTOSAI, our Fellows Program and selected multi-lateral and other efforts.
- I look forward to working with many of you and others to help us effectively serve our clients, our countries and our citizens.
- Thank you again for the honor and opportunity to address this assembly.



[Press Center](#)
[Contact Us](#)
[Inspector General](#)
[Restricted Reports](#)

[Copyright & Terms of Use](#) [FOIA Requests](#)
[Privacy Policy](#) [Scam Alerts](#)
[Accessibility](#) [No FEAR Act Data](#)
[Sitemap](#)



*Fighting **CORRUPTION**, Enhancing
PERFORMANCE, and Assuring **ACCOUNTABILITY***

XI OLACEFS Assembly
Panama City, Panama

August 22, 2001

David M. Walker, CPA
*Comptroller General
of the United States*



Slide 1 of 11

Three Key Elements for Success

- Incentives
- Transparency
- Accountability

1



Slide 2 of 11

A presentation slide with a background image of a classical building with columns. The slide contains the following text:

Government

Citizens Trust and Confidence,
Economic Growth and prosperity

Incentives

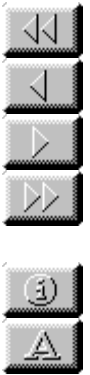
Transparency

Accountability

Executive Legislative Judicial

Constitution

2



Slide 3 of 11

SAI

SAI's Credibility and Effectiveness

Incentives

Transparency

Accountability

People Process Technology

Independence, Professional Standards, and Core Values

3



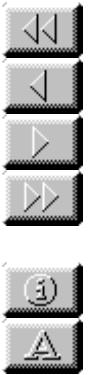
Slide 4 of 11

Contributing Elements

Government Examples

Incentives	<ul style="list-style-type: none">■ Rule of law■ Civil Service■ Checks and balances
Transparency	<ul style="list-style-type: none">■ Financial disclosure■ Due process■ Free press
Accountability	<ul style="list-style-type: none">■ Enforcement of laws■ Oversight■ Independent judiciary

4



Slide 5 of 11

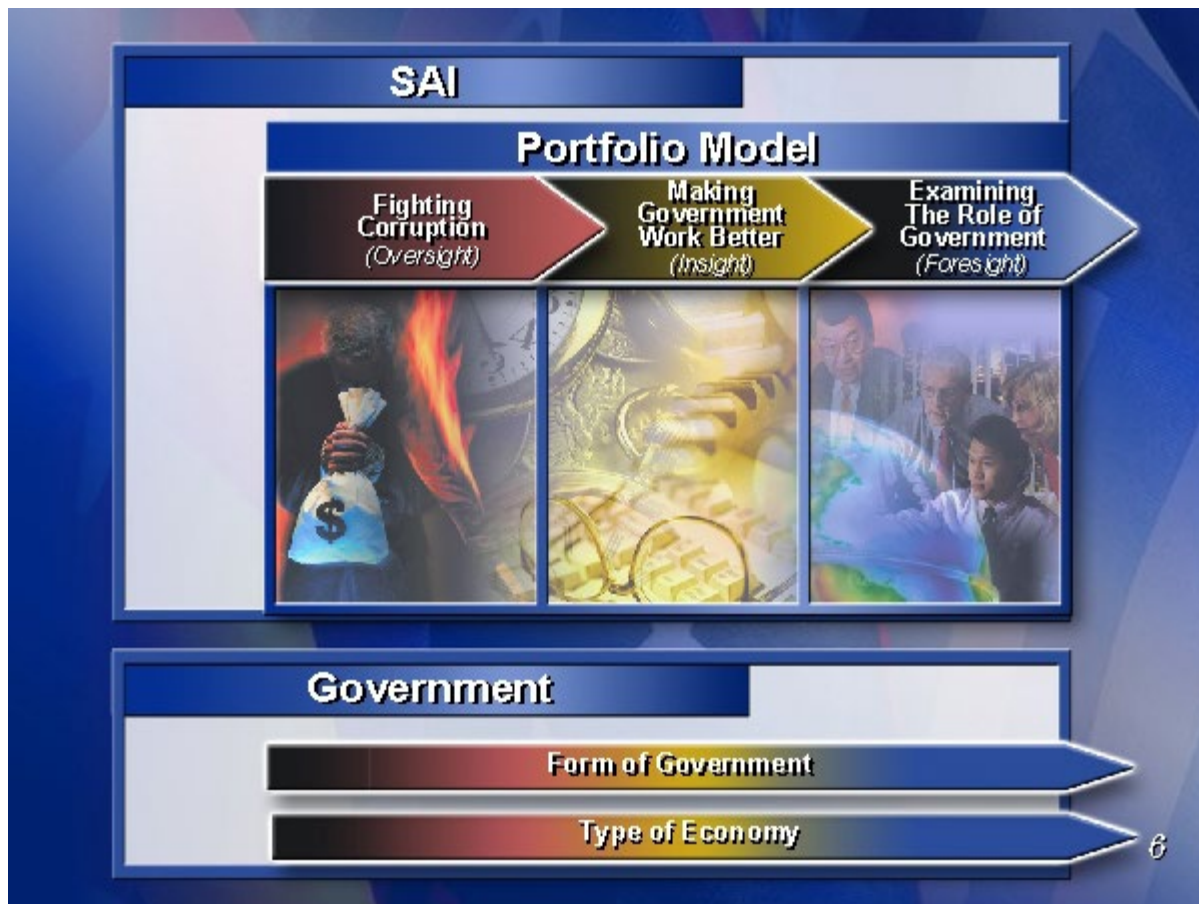
Contributing Elements

SAI Examples

Incentives	<ul style="list-style-type: none">■ Independence■ Resources
Transparency	<ul style="list-style-type: none">■ Protocols■ Public reporting
Accountability	<ul style="list-style-type: none">■ Enforcement of access rights■ Peer review

5

Slide 6 of 11



Slide 7 of 11

Portfolio Model

**Fighting
Corruption**
(Oversight)



7



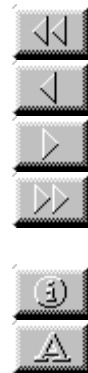
Slide 8 of 11

Portfolio Model

**Making
Government
Work Better**
(Insight)



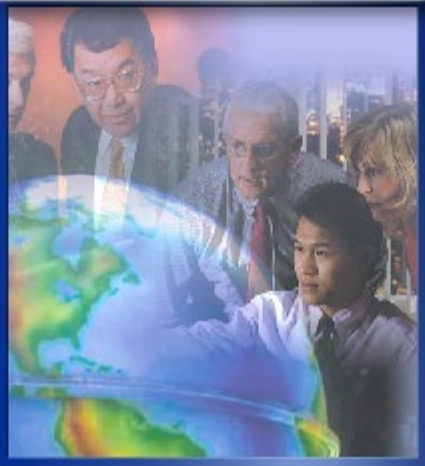
8



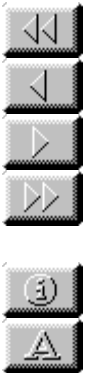
Slide 9 of 11

Portfolio Model

Examining The Role of Government *(Foresight)*



9



Slide 10 of 11

Characteristics

- Independence
- Mission
- Professional standards
- Core values
- Strategic planning
- Organizational alignment
- Protocols
- Performance and accountability reporting
- Cultural transformation
- Human capital
- Performance management

10



Slide 11 of 11