
Presentation by
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Comptroller General of the United States

Enhancing Performance, Accountability, and Foresight

Speech before the Caribbean Organization of
Supreme Audit Institutions (CAROSAI)

It's a pleasure to be here today. As CAROSAI approaches its 20th anniversary, it can look with pride on the work you've done to improve government performance and enhance accountability in the region. You've truly lived up to your motto: "Towards greater accountability."

Clearly, the Caribbean is one of the most beautiful spots in the world. In fact, my wife, Mary, and I have taken several vacations here, including a cruise this past summer. We've always had a wonderful time, whether it was here in the Bahamas or elsewhere in the region.

The ties between the Caribbean and the United States are strong. Obviously, we're part of the same hemisphere. But we also share important economic ties and active trading arrangements. Since becoming Comptroller General in 1998, I've visited most of CAROSAI's member countries, either officially or as a tourist. I've also participated in several highly productive gatherings with my Caribbean colleagues.

Today, I'd like to speak to you about a role that more supreme audit institutions (SAI) need to add to their portfolio of capabilities. That role is providing government officials with foresight about key emerging issues. Such forward thinking should supplement and complement our traditional audit responsibilities.

Before addressing the issue of foresight, I'd like to touch on how SAIs can maximize their effectiveness and credibility. Over the years, I've found three elements are essential to maximizing value and mitigating risk. These three elements are incentives, transparency, and accountability. They apply equally to the public and private sectors and can provide a benefit to many areas, from governance systems to tax systems to health care systems. They also apply to countries and SAIs (see appendix).

For SAIs, the incentives element requires, among other things, an adequate degree of auditor independence and an adequate level of auditor resources. The transparency element involves a commitment to keeping elected officials and average citizens informed about what SAIs do and how they do business. For example, GAO has adopted public protocols for dealing with clients, agencies, and fellow accountability organizations. We also make all our nonclassified reports public, and I'd urge other SAIs to do the same. Finally, the accountability element means that government auditors must have adequate access authority. At the same time, SAIs themselves need to be subject to independent financial audits and external peer reviews.

These three elements—incentives, transparency, and accountability—are critically important, and I consider them, along with our agency's core values, in every major initiative, internal or external, that GAO undertakes. For example, the three elements have resulted in GAO adopting four key performance elements to better assess how we're doing today and how we're positioned for the future. These four dimensions are results, client feedback, employee feedback, and external partner or alliance organization feedback. I'd be happy to speak with any of you about these during the conference.

Returning to the issue of foresight, nearly a century ago, one of my favorite U.S. Presidents, Theodore Roosevelt, said, “We have to, as a nation, exercise foresight ... and if we do not exercise that foresight, dark will be the future.”

Unfortunately, many in today’s world, including in the United States, are consumed with the here and now. Far too little thought is given to what’s come before or what lies ahead. Specifically, today

Too many individuals tend to focus on their next paycheck.

Too many company executives focus on the next quarterly earnings report.

Too many politicians focus on the next election cycle rather than the next generation.

And too many countries focus on their immediate and sovereign needs while forgetting that we’re all inhabitants of planet Earth.

It’s vital for all organizations to understand the big picture, to learn from the past, and to prepare for the future. It’s especially important for SAIs to do so. We need to actively manage the opportunities and risks that come with change. After all, change isn’t necessarily a bad thing. In fact, change is essential for progress and innovation.

I think it’s important to understand how myopia, or shortsightedness, can undermine a nation’s willingness and ability to act. In the case of the United States, strong economic growth, modest inflation levels, relatively low interest rates, and our current superpower status have given many policymakers and the American public a false sense of security about our nation’s current position and future prospects. Even though we know that a demographic tsunami of spending is building silently offshore—I’m referring to the impending retirement of our baby boom generation—America continues to party on and pile up record levels of debt.

The reality is that we face an aging population, rising health care costs, and relatively low revenues as a percentage of the economy. Unless we change course, the United States faces decades of deficits and growing debt burdens.

As Comptroller General of the United States and my nation’s chief accountability officer, I’ve been speaking out on this issue to ensure that we do change course. Things are far from hopeless, but we need to act, and act soon!

Importantly, some nations have begun to face up to their long-term fiscal challenges. Specifically, two nations have made difficult decisions that involved short-term pain in the interest of long-term gain. I’m speaking about Australia and New Zealand. Like the United States, these two countries have aging populations. However, unlike the United States, these two countries have already stepped up to the plate and dealt with their long-range fiscal imbalances,

including their overburdened and underfunded public pension and health care programs. In my view, SAIs can play an important professional and nonpolitical role in encouraging such prudent and sustainable policy choices. In this regard, I'm pleased that one of the themes for next year's INTOSAI Congress in Mexico City relates to the fiscal sustainability issue.

As we all know, SAIs have traditionally been in the oversight business. Clearly, our financial audits are an important check on waste, fraud, and abuse. Many SAIs also undertake program evaluations and best-practice studies, which are designed to improve government economy, efficiency, ethics, equity, and effectiveness. At the same time, SAIs may perform a range of insight activities designed to help identify which programs and policies work, which ones don't, and possible ways forward.

One key to an effective accountability system is strong government auditing standards. As most of you know, in the United States these standards are found in the so-called Yellow Book, which is promulgated by GAO. This publication specifies the essential characteristics of sound audit work. The Yellow Book also describes the professional qualifications that government auditors should possess. I'm proud to say that several SAIs around the world are using the Yellow Book in their work.

For the fifth time since 1972, GAO is updating the U.S. government's auditing standards. With the advice of experts from government, private accounting firms, and colleges and universities, GAO is, among other things, proposing changes to strengthen and modernize audit ethical standards and quality control systems while providing clarification on the differences between audit and non-audit services. We expect the final standards to be issued next year.

But audit work is only one of a hierarchy of functions SAIs can and should be undertaking. Envision a pyramid with five layers (see appendix). The bottom layer is fighting corruption, and directly above it is ensuring accountability. These are the foundations of our profession. All SAIs, whatever their budgets or experience, should be pursuing these objectives.

The performance and insight roles I mentioned earlier make up the middle layers of the pyramid. These roles require a more diverse set of skills and capabilities.

At the top of the pyramid is a function that more mature and experienced SAIs should be undertaking. I'm talking about providing policymakers with foresight about the future. SAIs are uniquely positioned to educate public officials about key emerging trends and challenges in a professional, objective, fact-based, nonpartisan, fair, and balanced manner. By encouraging early action on issues while they're still manageable, SAIs can help their governments take more timely and informed actions and avoid crises down the line.

Today, GAO is working hard to help members of Congress better understand the trends and challenges facing the United States and its position in the world. We're also trying to help lawmakers grasp the long-term and collateral implications of current policy paths.

Our goal is for the Congress to expand its horizon, improve its peripheral vision, and enhance its ability to act in a timely and evidence-based manner. We want policymakers to better understand where we are, how we may look 30 or even 40 years out, and how various policies and programs can have ripple effects collaterally, across borders, and over time.

In this spirit and in an effort to “lead by example,” GAO has published an unprecedented report called “21st Century Challenges” that asks a series of probing, sometimes provocative, questions about current government policies, programs, and operational practices. The report brings home how much of the U.S. government reflects organizational models, labor markets, life expectancies, transportation systems, security strategies, and other conditions that are rooted in the past. Clearly, the U.S. government isn’t alone in this respect. In this report, we’ve also sought to communicate important foresight concepts in language used and understood by policymakers. By the way, you can find this report free on GAO’s Web site at www.gao.gov. I recommend it to you.

Today, our Congress and President need to decide which federal programs and policies remain priorities, which should be overhauled, and which have simply outlived their usefulness. I’m sure many other countries could also benefit from this kind of review.

To give you one example in the tax area: Just this summer, the U.S. government announced it will stop collecting a 3 percent tax on long-distance telephone calls. This doesn’t seem particularly startling until you realize that the tax had been introduced in 1898 to help pay for the Spanish-American War—a war that lasted only a few months!

So, what’s been the reaction of policymakers to our 21st Century Challenges report? I’m pleased to say we’re seeing some hopeful signs in several areas that GAO has highlighted. For example, our government is taking seriously the need to plan ahead for the possibility of a global influenza pandemic.

We’re also finally starting to see greater concern about America’s long-range fiscal problems. Recently proposed legislation would convene a commission of leaders to study entitlement and tax reform issues and recommend changes.

Most nations face similar long-term challenges. But the truth is in today’s world, no nation, including the United States, should try to go it alone. In fact, most nations face a range of common challenges that know no geopolitical or sectoral boundaries. I’d include here economic globalization, new security threats, diseases such as AIDS and avian flu, environmental concerns like climate change, natural disasters, immigration challenges, and money laundering. In fact, I spoke last year in Jakarta on tsunami relief just months before two major hurricanes devastated my own country. My point here is that SAIs can and should help evaluate these challenges and develop solutions.

Increasingly, the process of developing solutions will require collaboration and partnering for progress. Progress will depend on a willingness to collaborate with others, inside and outside of government, domestically and internationally. Frankly, all of us need to increase our efforts to join forces and apply our collective knowledge, experience, and expertise to solve shared problems. There's no question in my mind we can and should learn from each other.

This is why GAO has been working so closely with its counterparts in other countries and with international accountability organizations, such as INTOSAI, IFAC, and IAASB. We all need to be working toward global convergence on major accounting and auditing standards as well as reporting models. This isn't just desirable, it's essential. In a world that grows smaller every day, accounting and reporting practices should be equally understandable to an auditor in Belgium, Bhutan, the Bahamas, Belize, Botswana, Bahrain, or Brazil.

I'm happy to say that INTOSAI is making significant strides when it comes to international partnering. As I noted earlier, I'm a big believer in partnering for progress in order to share success stories and avoid common mistakes. We've also seen progress in developing ethical codes for government auditors and establishing best practices on vital issues like public debt management, environmental auditing, and privatization.

As many of you know, I was honored to chair INTOSAI's strategic planning task force, and I know first-hand the contributions that regional members, such as Antigua and Barbuda, have made to this historic effort. I'm confident INTOSAI's new strategic plan will help raise the organization and its members to new heights in the coming years.

A strategic plan is just one of many tools that SAIs have at their disposal to promote a forward focus. Other tools include key national indicators and scenario planning. Unfortunately, not all governments, including my own, have taken full advantage of these tools.

The value of a strategic plan is probably obvious to everyone in this room. By thinking more comprehensively, governments can better set priorities and target their efforts, not just over months or years but over decades. In our case, GAO's strategic plan defines our agency's mission, goals, and objectives. Our plan also includes a range of key public policy trends and challenges that warrant attention from lawmakers and our agency. The plan also incorporates our agency's core values as the foundation for everything we do. In my view, an entity that doesn't have a strategic plan has little hope of maximizing value and mitigating risk.

Key national indicators are another tool that can help governments focus on performance and the future. Key national indicators allow policymakers to better assess a nation's status, its progress over time, and its position relative to other nations on issues like public safety, health care, housing, immigration, energy, education, and the environment. Such indicators can help guide strategic planning, enhance performance and accountability reporting, and encourage more informed legislation, appropriations, and oversight.

Key indicator systems are now used by various supranational and international entities, including the European Union (EU), the Organization for Economic Co-operation and Development (OECD), and the United Nations (UN). For years now, several countries, including Australia, Canada, and the United Kingdom, and even some U.S. states and municipalities have been using indicators to prioritize and target public resources. It's time the U.S. federal government and other countries developed their own systems.

We at GAO are working with our National Academies of Sciences, the OECD, and others to help make key national indicators a reality in the United States and elsewhere. Furthermore, INTOSAI has adopted key national indicators as the main theme for its 2007 Congress in Mexico City.

U.S. civilian agencies, including GAO, have started using another foresight tool long familiar to our defense agencies: scenario planning. For years, GAO has used this technique to analyze America's long-range fiscal imbalance. More recently, we've used scenario planning concepts to assess our nation's preparedness for natural disasters like hurricanes and earthquakes.

In closing, enhancing government effectiveness, ensuring accountability, and focusing on foresight are important but often thankless jobs. Frankly, these vital tasks have too few real and devoted advocates. But when you return home, I hope you'll consider the things I've said in connection with your own SAI's work. It's time that policymakers put more emphasis on getting results and preparing for the future. In my view, it's the best way to ensure a brighter tomorrow for our citizens, our countries, and our planet.

Thank you for your time and attention.

Appendix I

Table 1: Illustrative Key Elements for Successful Supreme Audit Institutions

Key Elements	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

Source: GAO.

Figure 1: Supreme Audit Institution Maturity Model



Source: GAO.

On the Web

Web site: www.gao.gov/cghome.htm

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