

# ***Report of the Chairman of the INTOSAI Working Group on Key National Indicators***

***Dr.Sergey Stepashin***

***Chairman of the Accounts Chamber of the Russian Federation***

Dear colleagues!

I am glad to welcome you at the 2<sup>nd</sup> meeting of the INTOSAI Working Group on Key National Indicators (KNI). From the time of our last meeting some significant events have taken place both in the world and in our countries. Today our work is being performed on the background of the world financial crisis, which emerged in autumn of the last year, and I believe that with no impact on the substance of our existing obligations the new challenges will with no doubt have an impact on our work.

Today nobody is going to be so arrogant as to predict the consequences of the existing global crisis, but there is no doubt that the world is going to change after the crisis comes to an end. And we are not merely the witnesses of the processes that characterize the global economic dynamics. We are involved in these processes, which have an influence today and will have an impact in the future on the economical development of our countries.

The present crisis, unlike the previous crises of overproduction of goods, is a crisis of overproduction of financial instruments and lack of control over the transaction services. Due to this the INTOSAI should actively assist in developing a new architecture of financial institutions and objective performance assessment of property and capital flow.

We see the task of the Supreme Bodies of Financial Control in minimizing the risks of the taxpayers by assisting in harmonizing the interests of the authorities, business and the society for the target of overcoming the crisis. It is also important for the Supreme Bodies of Financial Control to provide for the equitable distribution of the burden of the crisis between regional and social groups.

Today the necessity of assisting in the implementation of the anti-crisis measures of the governments on the part of the Supreme Bodies of Financial Control is also understood by the international community of public auditors. In 2008 a special INTOSAI group headed by the USA was established for the target of studying the causes and consequences of the crisis, the mandate of which should definitely differ from the mandate of the similar World Bank's group. The INTOSAI has its own tasks and responsibilities, but there should be a uniform truth, and this cause requires joining of efforts as it takes place, for example, in the relations of the OECD and the INTOSAI in respect of the progress measurement issue.

Giving predictions right now is a thankless job, and experts' opinions vary, but it is clear that the crisis is going to be a rather long lasting one and the ways out of it are still not very obvious. But the greatest challenge of our times is obvious: not only to minimize the consequences of the crisis based on the economic capacity of our countries, but also to learn to control risks, including financial risks. The first one is a current target and the second one is long-term strategy. Implementation of the economic model aimed at creating balance between the anti-crisis program and sustaining the development potential increases the responsibility of state financial control. In connection with it I would like to attract your attention to the strengthening of its two functions caused by the recessionary tendencies.

The first one: public control as a management tool. Active, modern, and possessing unique information resources the public audit institution is capable of performing both regulatory and constructive functions providing assistance to the state and the society not only in implementing effective anti-crisis measures, but also in selecting the perspective future directions of country's development.

The second one: public control as an instrument of increasing the level of citizens' credence in respect of the economic authorities and the policies pursued by it. Transparency, publicity, and interest in cooperation with representatives of the civil society, expert community, assistance in coordinating the strategic vision of country's development by different groups of interests - these public control functions require its constant improvement, search for new work methods, faultlessness of professional and ethic standards, the significance of which greatly increases in the circumstances of the crisis.

Both tasks are in direct relation to the issue of devising and applying the Key National Indicators of development, i.e. our work.

We are convinced that public audit should be an incorporate part of the anti-crisis measures' program, as it is capable of improving its effectiveness and eventually with help in early achievement of its set targets.

In implementing the anti-crisis measures we constantly face different indicators. The inflation and unemployment rates, correlations of the currency rates and indicators of banking system stability, investments dynamics and many other indicators become the indicators of effectiveness of the measures implemented. I believe that the same situation exists in your countries as well. This means that today practically all activities of the financial control bodies should be based on economically feasible and understandable for the society indicators. Absence of such clear system makes the work far more complicated. Due to this in the circumstances of nowadays requirements to the work of the financial control bodies the activities of the Working Group on Key National Indicators becomes of great importance.

*Well, dear colleagues, we have a rather tense agenda and I would like to inform you of the most important events in the activities of the INTOSAI Working Group on Key National Indicators in the last year. It has been almost a year since our first meeting in Moscow. In this period the membership of our group has increased.* In accordance with the Regulations that we have approved at our previous meeting, I as the chairman of the Working Group have received applications from Supreme Bodies of Financial Control of Austria, Israel, and Indonesia with the request of accepting them to the Working Group on KNI. Kirgizia has joined us on the rights of an observer.

Thus, presently the group includes 20 full members – Supreme Bodies of Financial Control and 5 observers.

*This is a pleasing fact and we believe that it once again proves the relevancy of our activities and the strategic wisdom of the resolution of the nineteenth INTOSAI congress in November 2007, in Mexico (Mexico), of establishing the INTOSAI Working Group on Key National Indicators.*

I would like to welcome the members of the group on yours and mine behalf. Unfortunately, not everybody could come to Beijing, but I am convinced this will not influence our cooperation. Representatives from Indonesia and Kirgizstan are present here and following the set tradition we gave them floor for presentations in the course of today's meeting.

I would like to briefly point out the main results of activities of our joint work in the course of the previous year 2008. After the first meeting of the INTOSAI Working Group on KNI, in Moscow, in May 2008, where the Terms of Reference, Regulations, and the Work Plan 2008 were approved, a bilingual (English and Russian) web-site of the INTOSAI Working Group on KNI (<http://intosai4kni.org>) available for all members of the Working Group and being a tool of on-line communication on all issues of planning, information exchange and holding of events, was devised and launched. In the course of the year the documents necessary for work were posted on the website. I would like to point out right away that in the current year we are counting on greater activeness of the group members in respect of support of our website.

As a part of implementing the Terms of Reference the Secretariat of the Working Group has coordinated with some Supreme Bodies of Financial Control a number of related sub-projects provided for in the work schedule until 2010:

- The Supreme Body of Financial Control of the USA has taken the charge of the Glossary on the KNI;
- The Supreme Body of Financial Control of Hungary has expressed interest in being the

coordinator of the pilot project in the sphere of the Key National Indicators in the context of society and economy based on knowledge;

- The Supreme Body of Financial Control of Latvia has taken the initiative in the part of preparing the overview of the best international experience in devising and applying KNI;

- The Supreme Body of Financial Control of Russia has prepared and held a meeting of the chief officers of the Supreme Bodies of Financial Control of the CIS participating countries in Moscow, in the course of which a decision of launching a regional KNI project as a part of the joint activities on developing the strategies of social and economic development performance audit was made.

Today we have a possibility of going into the details of the implementation of the listed pilot projects. This is actually the key target of our meeting.

I would like to point out the development of our relations with the Organization of Economic Cooperation and Development as the most important event of the year 2008. As the chairman of the Working Group on KNI in the beginning of the current year I was pleased to sign the Memorandum of Understanding and Cooperation between the OECD and the INTOSAI on the issues of measuring the social progress.

In the middle of the year 2008 the draught Memorandum was sent to the group members and I should note that the Secretariat was very accurate in working on the variant suggested. Our comments and suggestions were taken into account and I believe that we have a very good foundation for cooperation with the OECD not only in respect of the Key National Indicators issue, but also for developing our cooperation in the future in relation to other issues being of mutual interest. We consider it possible and promising to view the INTOSAI Working Group as a partner of the OECD Global Project both in the field of performing quality control over the measurement tools of the social progress and in the field of sharing experience of the Supreme Bodies of Financial Control in performing control over national and regional strategies of social and economic development based on the KNI.

I am glad that we may consider Jon Hall, who is present at our meeting, to be a member of our group, and I expect him, in accordance with the Agenda, to give us tomorrow a deep understanding of development of the Global Project, and we will discuss the INTOSAI participation in the Third International OECD Forum "Statistics, Knowledge, and Strategy", in Pusan (Korea), in Autumn of the current year.

I would like to inform you that in the course of the first meeting of the Managing Board of the OECD Global Project, in Tunisia, a decision of holding a discussion on the perspectives of activities of the Supreme Bodies of Financial Control in assessing the KNI was coordinated in the

course of the forum, and preliminary agreements on cooperation in conducting trainings for the representatives of the Supreme Bodies of Financial Control in the sphere of implementing the Agenda of the OECD Global Project were concluded.

Under the Memorandum signed a wide range of activities is planned with some directions of it being beyond the limits of our group's mandate, and we should cooperate with the Managing Board. Due to this I believe it reasonable to suggest coordination of cooperation of the OECD and the INTOSAI as a part of the Memorandum of the Supreme Body of Financial Control of Mexico, which is now presiding over the Managing Board of the INTOSAI and is a member of our group. I hope that we will solve this issue in the course of today's meeting.

We support the development of relations with such projects as the OECD Global Project believing that it is reasonable to perform mutual study of issues of quality of social progress indicators that are applied or may be applied in assessment of planning and implementing strategies of social and economic development as a part of these relations. I believe it worth noting that for the Supreme Bodies of Financial Control it is of principal importance to have precise and specific methods of developing and applying social progress indicators (measurement tools) acting at the national level. It's devising as official methods is a prerogative of the corresponding state and international organizations.

Apart from that, materials on the activities of the group were prepared for publication in the International Journal of Government Audit (January 2009) and in the Asian Journal of Government Audit on the issue of "Key National Indicators: experience in concern of development" (April 2009), and information on the activities of the group at the First Meeting of the INTOSAI Committee on Experience Exchange (under Goal 3 of the INTOSAI Strategic Plan) (March 5-6, 2009, Delhi, India).

These are the main results of our activities in the last year and I believe that they allow for outlining the counters of the Knowledge Database, which is considered to be one of specific results of our group's activities, that consolidates our joint efforts. Our future work will certainly specify our approaches to its development, but I would like to present its first version.

Well, we have tried to visualize the compound parts of our activities. At this stage we are working in the following field, that reflect the goals of the Terms of Reference: analysis of experience of the Supreme Bodies of Financial Control in the matters of developing and applying the Key National Indicators, Glossary on the KNI, analysis and systemization of methods of international organizations, involved in the problem of international assessments and comparisons, devising of bibliography on the issues under investigation, and pilot projects.

Today "The Experience of the Supreme Bodies of Financial Control" segment includes presentations of the group members on the issues of developing and applying the Key National Indicators and after today's meeting it will be complemented with the materials prepared by our Latvian colleagues based on the opinion poll held by them.

However we are also interested in the experience of the Supreme Bodies of Financial Control that are not members of our group, such as Supreme Body of Financial Control of Australia, where, as it is known to us, the Key National Indicators of Australia's development have been successfully applied for a long time.

An important methodological platform for our group' work is systemizing of methods of assessment of economic and social development devised by the international organizations. It is not only a wide scientific potential, but also in many instances quantitative characteristics of liabilities of the states that should be within the sphere of attention of the Supreme Bodies of Financial Control. This is why we included to this segment such materials as Indicators for monitoring the progress in achieving Goals in the field of development stated in the Millennium Declaration, Methodological Instructions on assessment of social cohesion ([www.coe.int](http://www.coe.int)), Instructions on Reporting in the field of development stability and Instructions on Practice in the field of CSR ([www.iema.net](http://www.iema.net)).

As it was already mentioned, we give a special role to the OECD Global Project and believe that via the Knowledge Database the members of the group will be able to receive complete information on its development.

We hope that in the nearest future on the results of our works we will be able to begin to fill the Glossary on the KNI segment.

We hope that in accordance with the approved schedule of works the Knowledge Database will be filled with information on the course of implementation of pilot projects and correspondingly the final documents on the issues of development of performance audit on the basis of the Key National Indicators in the CIS and application of the KNI in the context of society and economy based on knowledge.

And finally let us discuss the "Bibliography" project. We consider it necessary to be familiar with the publications on the issues of the KNI and progress measurement. I hope that in the future this section will include our publications as well.

This is a general overview of the approaches to the Knowledge Database development. I would like to point out that at this stage even the very fact of summation, analyzing, and systemizing the information on the issue of the KNI leads to a synergizing effect. But our task is

more difficult. Firstly, we should develop the Knowledge Database as a constantly renewed source of information, and secondly, to aim it to the interests of the audit activities. Tasks of such level require teamwork. This is why I address the members of the group with an appeal of not only active participation in the filling of the Knowledge Database, but also of considering the original approaches to its development. Our task is to create conditions (via the web-site) for communication between the representatives of the Supreme Bodies of Financial Control and external experts on the issue of performance assessment of the social and economic development based on the KNI. It would be desired for the Knowledge Database devised by us to continue to function assisting in improving the authority of the INTOSAI, and professionalism and effectiveness of activities of the Supreme Bodies of Financial Control even after the completion of activities of the Working Group on the KNI.

And finally, I would like to attract your attention to the center of the circle. This is not just a white spot. It is based on the materials of the Knowledge Database received from comparison, analysis and study of its compounds that we should devise the White Book or Recommendations on Devising and Applying the Key National Indicators in the activities of the Supreme Bodies of Financial Control. We are suggesting this term based on the existing experience meaning not just some certain reference materials, but a set of instruments, a pattern that would allow for choosing the best way of solving the problem. It should be a document based of which every financial control body in the future will be able to devise a more detailed program of actions for performance assessment of models of development of the country and ways of achieving the targets stated. Thus we view the White Book as a frame logical model of the activities of the Supreme Bodies of Financial Control in the system of the KNI application for the targets of devising and implementing the national strategies of social and economic development.

For the whole next year we should be working bearing in mind our final target - the final document on the group's activities. Its discussion we will obviously begin in the on-line regime and should finish at the next, third meeting of the Working Group on KNI.

The regular report on the activities of the INTOSAI Working Group on the Key National Indicators will be presented at the Meeting of the INTOSAI Managing Board on November 17-18, 2009, at Cape Town, RSA.

These are the results of our work in the elapsed period. I hope that today is going to be productive day for you. As an important step in our future work and search of common approaches to the issue of the Key National Indicators I see the discussion on the issues of the seminar scheduled for tomorrow. I would like to wish you all success.

Thank you for your attention. I am ready to answer your questions.



## **Working group members and observers**

### **Working group members**

SAI of Austria	SAI of Lithuania
SAI of China	SAI of Mexico
SAI of Denmark	SAI of New Zealand
SAI of Finland	SAI of Pakistan
SAI of Hungary	SAI of Poland
SAI of Indonesia	SAI of Russia
SAI of Israel	SAI of Slovak Republic
SAI of Italy	SAI of Switzerland
SAI of Kazakhstan	SAI of Ukraine
SAI of Latvia	SAI of the USA

### **Observers**

SAI of Armenia	SAI of Moldova
SAI of Belarus	SAI of Kyrgyzstan
SAI of Canada	

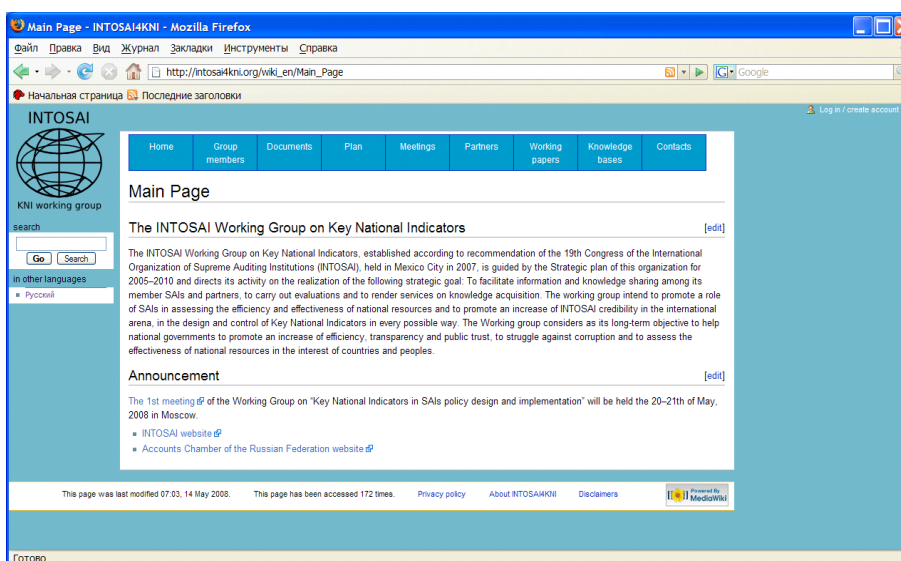
## **Outcomes of the 1<sup>st</sup> Meeting of the Working group on KNI**

### **The 1<sup>st</sup> Meeting of the INTOSAI Working group on KNI (Moscow, May 20-21, 2008)**

- Rules of Procedure
- Terms of Reference
- Working Plan 2008
- Draft Working Plan 2009-2010
- Working group Website (<http://intosai.kni.org>)



## Website of the INTOSAI Working group on KNI ([http://intosai.kni.org/wiki\\_en/Main\\_Page](http://intosai.kni.org/wiki_en/Main_Page))



### Subprojects

- Development and distribution of the Glossary on KNI (coordinator: GAO USA);
- Elaboration and coordination of a pilot project in the field of KNI describing the processes of knowledge-based economy and society (coordinator: SAO Hungary);
- The Review of the international experience in development and use of KNI (coordinator: SAO Latvia);
- The pilot project on KNI within the framework of the Commonwealth of Independent States (coordinator: AC Russia).

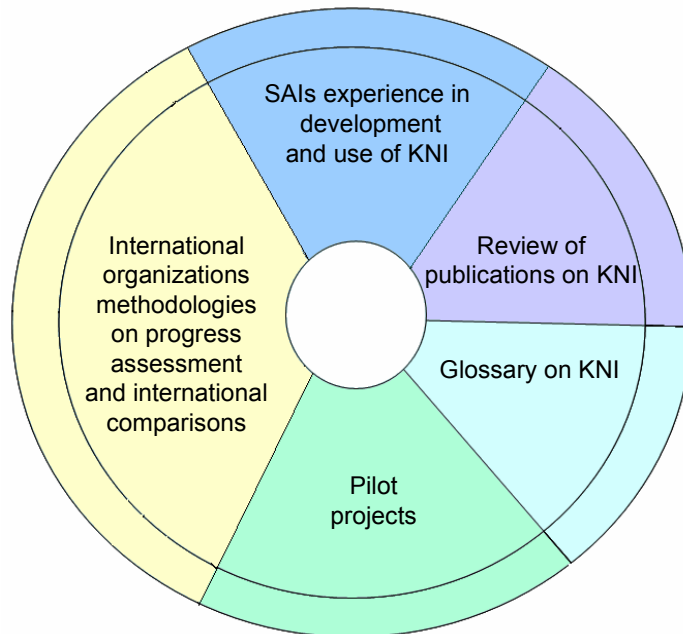
### Cooperation with OECD

- Participation in the First meeting of the Global Project on Measuring the Progress of Societies Board in Tunis (September 10, 2008);
- Memorandum of Understanding between INTOSAI and OECD with the main focus on developing cooperation between INTOSAI Working group on KNI and OECD Global Project on Measuring the Progress of Societies;
- Special session on SAIs' role in KNI at the 3rd World Forum "Statistics, Knowledge and Policy" in Busan (October 27-30, 2009).

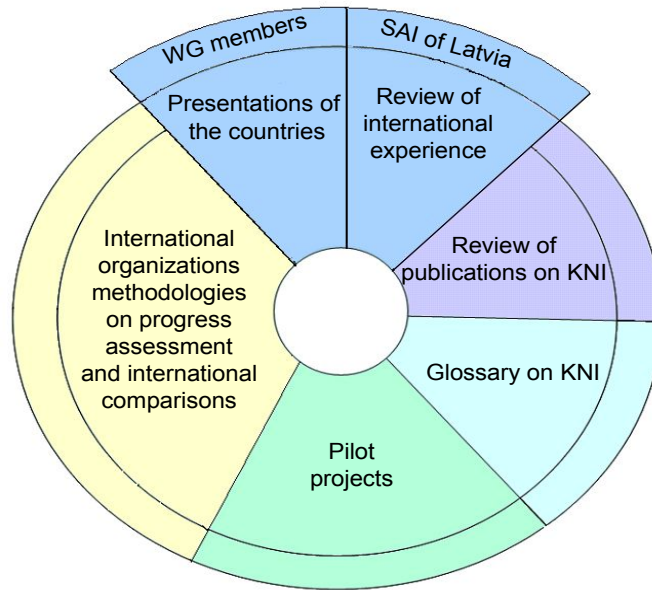
## Articles about INTOSAI Working group on KNI activity

- **International Journal of Government Audit**  
(January, 2009)
- **Asian Journal of Government Audit**  
(April, 2009)

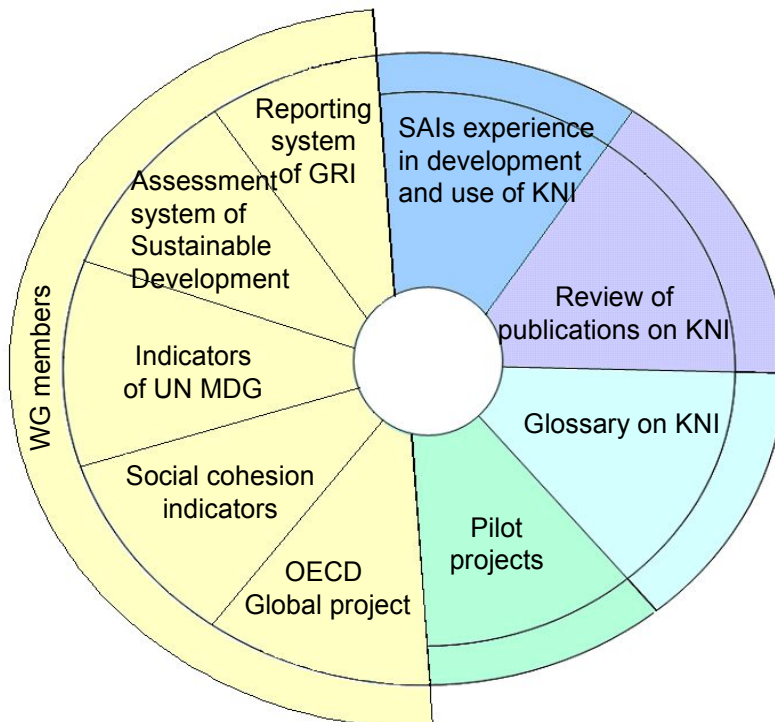
## System of INTOSAI Working group on KNI activity



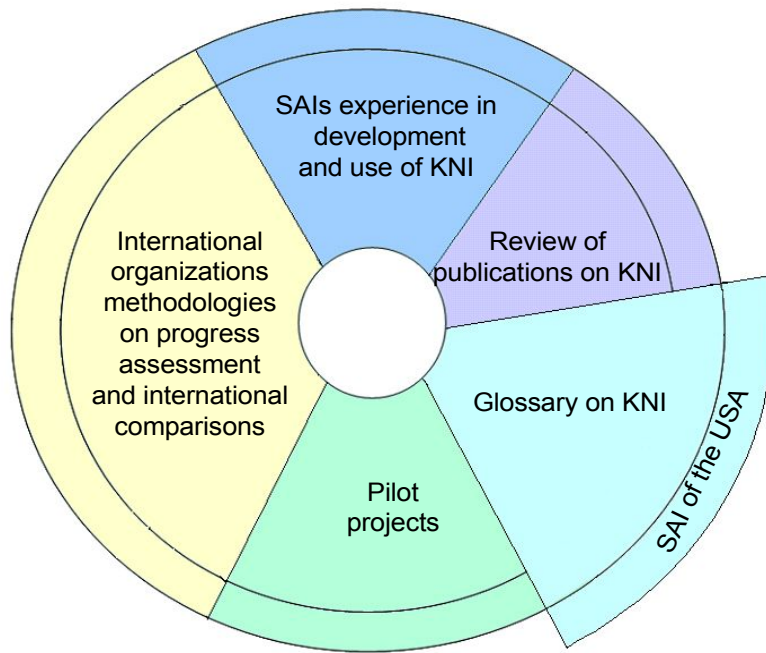
## SAIs experience in development and use of KNI



## Methodologies of international organizations



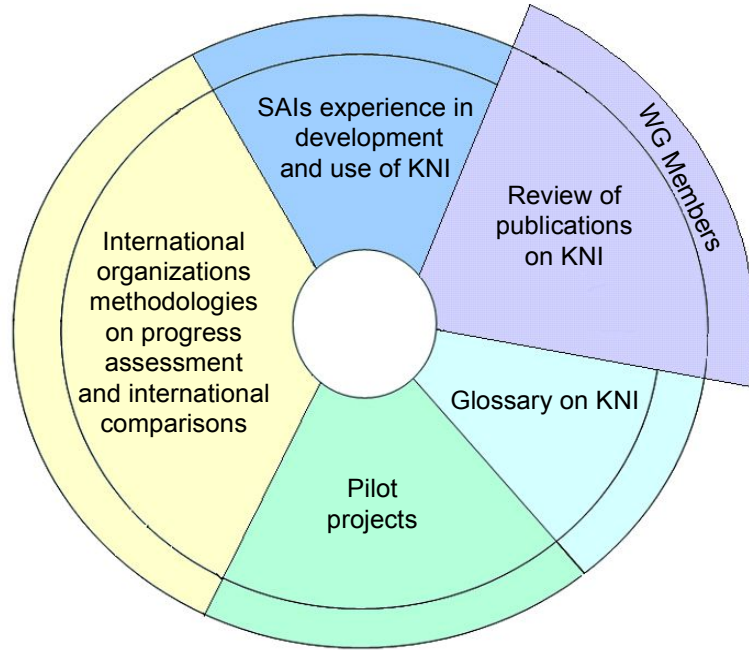
## Glossary on KNI



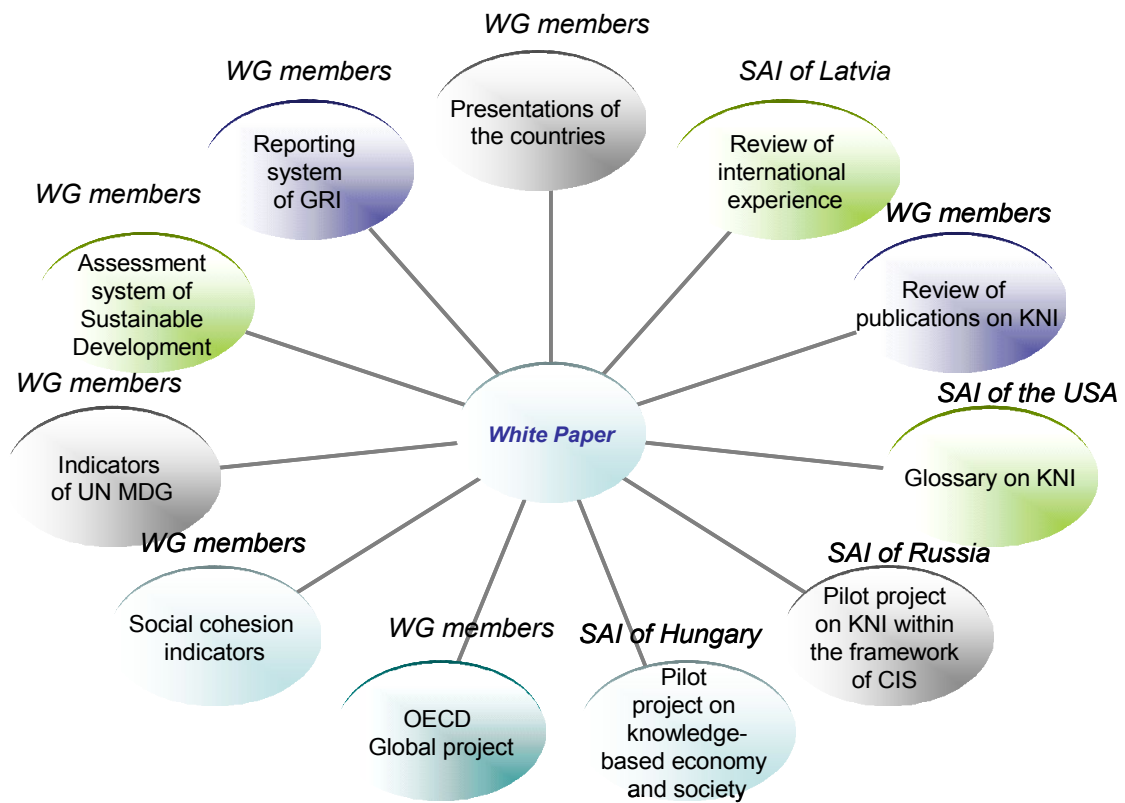
## Pilot projects



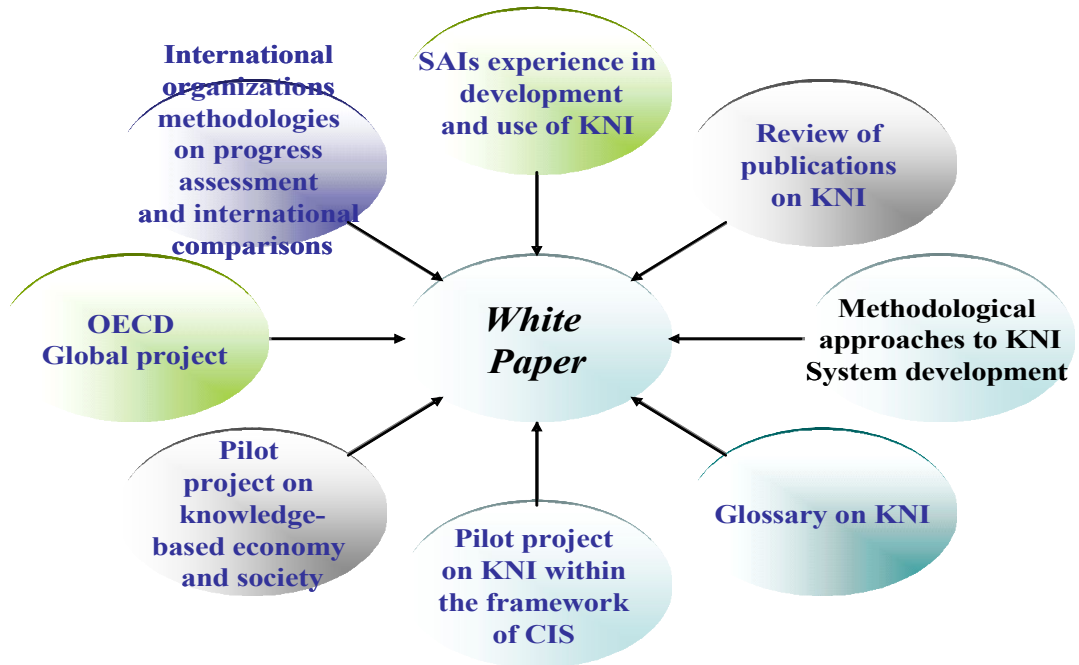
## Review of publications on KNI



## All activities



## White Paper structure.



Thank you!