



INTOSAI WG ON KEY NATIONAL INDICATORS

**MINUTES OF THE
7th MEETING OF THE WORKING GROUP**

February 24- 26, 2014

Kuta, Indonesia



INTOSAI WORKING GROUP ON KEY NATIONAL INDICATORS
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Chaired by

The Auditor of the Accounts Chamber of the Russian Federation

Tatiana N. Manuylova

Participants:

Members of the Working Group:

Armenia	Mrs. LilitGevorgyan	BoardMember
	Mr. KarenArustamyan	HeadofDepartment
Bulgaria	Mrs. IvankaKesyakova	ChiefAuditor
	Mrs. ZhivkaKalaydzhieva	ChiefAuditor
China	Mr. ZhangQi	Director
	Ms. ZhangXian	SectionChief
Finland	Mr. TimoOksanen	PerformanceAuditCounsellor
	Mr. VilleVehkasalo	PrincipalPerformanceAuditor
India	Mr. V. Ravindran	DirectorGeneral
Indonesia	Mr. HasanBisri	ViceChairman
	Mr. Bambang Pamungkas	Head of Principal Directorat
	Mr. Hery Subowo	Head of Directorat of R & D
	Mr. BahtiarArif	Head of Public and International Relations Bureau
Italy	Dr. RaffaeleSquitieri	President of the Corte dei Conti
	Dr. GiovanniCoppola	Counsellor-Head International Relations Office
Moldova	Mrs. AngelaPascaru	Member of the Court of

		Accounts
	Ms. TatianaTriboi	Principal Specialist, External Relations Service
Russia	Ms. Tatiana Manuylova	Member of the Board
	Mr. DmitryZaytsev	DirectorofDepartment
	Mr. AndreyBazin	DeputyDirectorofDepartment
	Mr. ValeryKryuchkov	Advisor
Slovakia	Mr. JurajKolarovič	Auditor
SouthAfrica	Mr. JanHendrikVanSchalkwyk	CorporateExecutive
	Ms. ChristinaLaubscher	SeniorTechnicalManager
USA	Mr. JosephChristoperMihm	ManagingDirector
Zambia	Mr. LouisMwansa	DirectorPlanningandInformation
	Mr. SmartNguni	PrincipalAuditor

Observers:

Russia	Mr. AlexanderZimin	Third Secretary of the Russian Embassy
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February 25, 2014

Welcome remarks

Ms. Tatiana Manuylova, the Auditor of the Accounts Chamber of the Russian Federation, welcomed all participants of the Meeting and expressed her profound gratitude to the State Audit Office of republic Indonesia for the opportunity to hold the 7th Meeting of the INTOSAI Working Group (WG) on KNIs in Kuta and for the perfect organization of the Meeting. In her speech Ms. Manuylova emphasized that developed countries consider KNI systems as an essential element in ensuring the transparency of public administration and increase public confidence in the public authorities. In the process of implementing strategic audit of social and economic development of the country, KNIs are the main subject of the evaluation as enshrined in the new law on the Accounts Chamber of the Russian Federation. In this regard, Supreme Audit Institutions hold responsibility for the implementation of strategic control over the state of national economies, including the audit of national programs and national contract systems.

Mr. HadiPoernomo, the Chairman of the Audit Board of the Republic of Indonesia, welcomed the participants of the 7th Meeting of the INTOSAI WG on KNI in Kuta. Mr. Poernomo outlined the main problems of the modern society and stressed the importance of KNIs as a tool for measuring progress and well-being at the modern stage of development. HadiPoernomo made a point of significance of KNIs in SAIs' activities and which are the basic tool for assessing the effectiveness of the use of national resources. In conclusion, Mr. Poernomo wished success and fruitful work at the Meeting.

Presentations and reports

Mrs. Armida S. Alisjahbana, the Minister of National Development Planning/ the Head of National Development Planning Agency of the Republic of Indonesia, reported on the development and usage of KNIs in the Republic Indonesia. In her speech Mrs. Alisjahbana highlighted the Indonesia's Development Planning system in order to illustrate Indonesia's experience in positioning performance indicators. This system consists of three timeframes: long term (20 years), medium term (5 years) and short term (1 year). Target impacts should be defined for each development plan at each level followed by key indicators and measures of success. Mrs. Armida S. Alisjahbana stressed that performance-based planning and budgeting was key to the successful achievement of national development targets thus all development programs ought to be evaluated according to the national targets. She stressed the point that without well-formulated KPI's (Key performance indicators) the governance could face difficulties in monitoring and evaluating the results of putting development plans into practice. Besides Mrs. Armida S. Alisjahbana listed several indicators which corresponded some of the main Indonesia's development targets. In the end of her report Mrs. Alisjahbana gave special consideration to the role of SAIs in the realization of key national indicators, and pointed out that SAIs should focus not only on the financial side, but also give greater attention to performance accountability on the use of state finances.

Mr. Louis Mwansa presented **the SAI of Zambia** as a new member of the WG. In his presentation Mr. Louis Mwansa gave basic information about Zambia and the Office of the Auditor General in Zambia (The SAI of Zambia). Mr. Mwansa described the framework of the relationship of the Auditor General with the Executive and the Legislature and listed the legislative audit mandates regulating the SAI of Zambia performance. In his speech Mr. Mwansa named types of audits performed by the Office of the Auditor General in Zambia, such as Forensic audits, IT Audits, Performance and Environmental Audits.

Mr. V. Ravindran presented **the SAI of India** as a new member of the WG. In his presentation he gave basic information about India and the SAI of India. Mr. V. Ravindrane drew attention of the WG members to the role the SAI of India plays in the INTOSAI's organization structure, as a head of the Knowledge Sharing Committee.

Ms. Tatiana Manuylova, the Auditor of the Accounts Chamber of the Russian Federation reported on the WG activity in April 2013 – February 2013. In her speech Tatiana Manuylovastressed that the main issue of the Group within all further periods would be the transformation of the White Paper on KNI into the INTOSAI official document – either an INTOSAI Standard or a Guideline on the development and use of KNIs in the SAIs activities.

As an important achievement for the Group Tatiana Manuylova mentioned the Groups contribution to the adoption of a new law on the Accounts Chamber of the Russian Federation wherein the function of selection and assessment of socio-economic development indicators of the Russian Federation and KNIs was laid down. This should be regarded as a testament to recognition of the importance of the KNI systems at the legislative level.

In her speech Ms. Manuylova mentioned the completion of the adoption of three new annexes to the White Paper on KNI's:

- the actual version of the Principles of development and use of KNI;
- two new sections which include results of the subprojects:
 - Analysis of opportunities on the use of KNI for international comparisons in the context of sustainable development and recommendations;
 - SAI's role in development and use of key indicators for research and development

Ms. Manuylova also presented brief information on the results of the pilot audits realization aimed at evaluating strategies for the national (regional) development with application of key sustainability indicators (as a second phase of the subproject "Analysis of opportunities on the use of KNI for international comparisons in the context of sustainable development and recommendations").

In her presentation Tatiana Manuylovapayed attention to the development of the Expert Group on KNIs of the Council of the Heads of SAIs of the Commonwealth of Independent States. The 6th Meeting of the Expert Group was held In June, 2013 in Minsk, Republic Belarus. As a result the final version of the document entitled "Assessment of the Possibilities for Achieving Methodological Comparability of the Key National Indicators of the CIS Member States" was adopted. In addition the current version of the summary table of indicators passports was presented. It

made it possible to carry out international comparisons social and economic development levelsof the CIS Member States’.

In the end of her speech Ms. Manuylova highlighted the importance of the developing the Knowledge Base on Key National Indicators (hereinafter – the Knowledge Base). Tatiana Manuylova asked the WG members to forward their comments and proposals on in order to update the interface, as well as extend the functionality and content of the Knowledge Base.

Finally Tatiana Manuylova urged the WG to focus on more practical aspects in their activity. In this regard she outlined three main directions offurther work of the WG in the 2014, which are:

1. Formation of the new INTOSAI Standard on the development and use of KNIs in the SAI activities, which would become the methodological basis for the use of KNI systems in expert analysis;
2. Execution of pilot audits aimed at evaluating strategies for the national (regional) development with application of key sustainability indicators;
3. Further cooperation in the area of progress measurement with international organizations involved in researches of this kind.

Mr. Ville Vehkasalo and Mr. TimoOksanen, representatives of **the SAI of Finland**, reported on the current Finnish development of KNIs and their use in the SAI's activities. Ville Vehkasalo gave the current state of the Findicator and listed sustainable development indicators presented in Findicator. Mr. Vehkasalo presented a new model in a new service: Finnish Innovation and Research Measurement (FIRM). The aims of this service are as follows: show visually and in a holistic way, how Finland’s innovation system is performing in comparison with the best countries; to analyze the different dimensions of research and innovation activities and especially to communicate the impacts of research and innovation inputs.

In their presentation Mr. Ville Vehkasalo and Mr. TimoOksanen gave information on how KNIs and other statistics were used in performance auditing in Finland. In this regard they outlined the proportion of audit activities with the use of KNIs and the problems which occurred in the process of their implementation.

Mr. Dmitry Zaytsev, the Head of the Secretariat of the WG, presented three new annexes to the White Paper on KNI, which include:

- the actual version of the Principles of development and use of KNI;
- two new sections which include results of the subprojects:

- Analysis of opportunities on the use of KNI for international comparisons in the context of sustainable development and recommendations;
- SAI's role in development and use of key indicators for research and development.

In his speech Mr. Zaytsev stressed the importance of carrying out an assessment of the countries' readiness levels to use KNI system in SAI activities according to the Finnish colleagues' proposal. As the Group members are trying to put the KNI initiative into practice it becomes crucial to compare the resources, knowledge processes and management capacities which vary a lot between the SAIs. Thus it was proposed to create different levels for the current development stage of the countries and the SAIs. It was suggested to undertake the relevant research and after a brief discussion it was decided to carry out this work as a part of development procedures of a new INTOSAI Standard on the development and use of KNI's.

Mr. Dmitry Zaytsev, the Head of the Secretariat of the WG, reported on the work on the possibilities of the conversion of the White Paper on KNI into the ISSAI. In his speech, Mr. Zaytsev focused on the stages of the Procedures for developing, revising and withdrawing International Standards of Supreme Audit Institutions (ISSAIs) and INTOSAI Guidance for Good Governance. For the time being the WG is in the very beginning of the Stage 1, i.e. the WG should carry out an initial assessment. The purpose of the initial assessment is to determine the categories of auditing or other tasks that will be covered by the document, to consider the differences among SAIs that must be accommodated and to ensure consistency with existing ISSAIs and INTOSAI GOVs. Based on the initial assessment the responsible subcommittee, i.e. the INTOSAI WG on KNI, has to develop a project proposal for approval by the steering committee, i.e. INTOSAI Knowledge Sharing Committee. The project proposal should specify the timeline and include suggestions for appropriate ISSAI or INTOSAI GOV numbers and working titles for any envisaged new documents.

During the discussion it was decided that within a month after the Meeting the Secretariat would use best efforts to prepare the draft plan for the development of an initial assessment and then would disseminate it among all members of the Group in order to get comments and suggestions for its editing. In this regard the initiative of the Finnish colleagues would be of a great importance. In the soonest possible time the Secretariat would prepare the tables containing list of questions reflecting the countries' readiness levels to use KNI system in SAI activities. These tables would be disseminated among members of the Group with the draft structure of the initial assessment. The WG members are kindly asked to send their reports (to fill the tables) and comments to the draft structure before the end of May.

After the discussion and adoption of the initial assessment on its basis the project proposal should be conducted by the Secretariat and then discussed and adopted by all WG members.

Mr. Zaytsev emphasized that the most important point was to define the place of the future Standard in the ISSAI framework. In this regard the Secretariat asked all members to send their vision and the justification of the view point.

After the documents are prepared, discussed and adopted they should be submitted to the steering (Knowledge Sharing Committee) committee for approval. Taking into account the complexity of the issue it may happen that the Group will not be able to prepare an approved version of the initial assessment before autumn, 2014. Therefore on the up-coming Meeting of the Knowledge Sharing Committee the representatives of the WG would present all the materials and developments on the issue.

In his speech Dmitry Zaytsev stressed that due to the limited timeframe it would be worth considering the development of a Guideline instead of a Standard which seemed to be more realistic objective at present.

Dr. Gyula Pulay, the representative of **the SAI of Hungary**, couldn't take part in the Meeting, but he delivered his speech via videotape. Dr. Gyula Pulay reported on the provisional results of the pilot audits realization aimed at evaluating strategies for the national (regional) development with application of key sustainability indicators. It's a second phase of the subproject "Analysis of opportunities on the use of KNI for international comparisons in the context of sustainable development and recommendations". In his presentation Dr. Pulay outlined the purpose of the subproject, general principles of the work of the Group, the organizational principle of the subproject. Gyula Pulay listed members of the subgroup and named the audit themes and indicators which were selected by the Group members.

In his presentation Dr. Pulay highlighted the list of complex questions to be answered during the subproject implementation such as specificity of the applied indicators ability to create a direct link between the indicator and the audited theme.

Dr. Gyula Pulay announced that the final results of the subproject would be delivered on the 8th Meeting of the WG in Bulgaria in 2015. He stressed that the members of the subgroup had to carry out the audit in 2013 or 2014. This means that it should be suitable for drawing and sharing the methodological conclusions, but does not mean that the SAI should finalize the audit report itself by December 2014.

Mr. Dmitry Zaytsev, the Head of the Secretariat of the WG, reported on the results of the pilot audit realization under the Hungarian subproject in Russia. In his report Dmitry Zaytsev addressed the issue concerning the national development

strategies evaluation with application of KNIs. Mr. Zaytsev described the structure of a State program in Russia and made a comparison between the White Paper recommendations and local requirements to the State Programs Development guidelines. Dmitry Zaytsev presented the current status of project realization in Russia.

The representative of **the SAI of China Mr. Qi Zhang** reported on the use of KNIs in economic accountability audit of SOE leaders. Mr. Qi Zhang reported that in 2013 National Audit Office of China (CNAO) has carried out 12 audit projects, specialized in economic accountability audit on the leaders of State-Owned Enterprises. These audits have revealed a number of problems. Mr. Qi Zhang listed categories of KNIs used in these audits and gave background information on the basis for audit realization. In his presentation Mr. Zhang gave detailed information on the issues concerning the audit realization, named six audit focuses and within each of them listed appropriate evaluation indicators.

Mr. Qi Zhang listed doubtful points and findings obtained during conducting audit procedures. In his speech Mr. Zhang highlighted the conclusions and main results made by the CNAO. As a conclusion Mr. Zhang gave the idea that the audit should be carried out in line with relevant laws, regulations, and national policies.

Mr. Joseph Christopher Mihm representative of **the SAI of United States** reported on the theme “Piloting coordinated performance audits to address crosscutting issues”. In his presentation Mr. Mihm highlighted two initiatives broadly related to KNI issues: the pilot project with state and local auditors on coordinated audits on affordable housing and the use of Strategic Reviews under the Government Performance and Results Act Modernization Act (GPRAMA). Mr. Mihm paid particular attention to the fact that nowadays the US was a part of the “global public management revolution” with certain overarching characteristics. He outlined four major global development trends, including: a multi-polar world, multi-level governance, multi-actor and multi-tech.

In his presentation Mr. Mihm broadly described GAO’s intergovernmental initiative. He said that GAO is partnering with members of the state and local accountability community who have volunteered to participate in a pilot to develop an approach for reviewing how federal, state, and local resources might be better coordinated to enhance performance outcomes and/or increase efficiency in a selected policy area. Finally he outlined the main ideas concerning strategic reviews under GPRAMA and how they should be put into practice.

Mr. Juraj Kolarovič representative of **the SAI of Slovakia** reported on the topic “Public Discussion In Slovakia: Measuring Progress“. In his report Mr. Kolarovič stressed the importance of the public discussion implementation and

described its purpose and major objectives. All aspects of the importance of the public discussion are confirmed by the examples of international practices in USA, Australia and other OECD countries.

In the second part of his presentation Mr. Kolarovič described the process for conducting the measuring progress in Slovakia, which consisted of three essential levels. He outlined major tasks of the ministries and stressed that all of them needed appropriate indicators that could clearly measure defined activities of individual ministries. Mr. Kolarovic presented a classification of indicators and their main characteristics. In conclusion Mr. Kolarovič gave an example of indicators set to measure different progress levels.

Ms. Christina Laubscher representative of **the SAI of South Africa** reported on the further developments in usage and audit of KNI's in South Africa. In her speech she talked about the KNI's evolution in South Africa. Ms. Laubscher stressed that in 2009 South Africa Government changed to an outcomes approach and in this regard she talked about KNIs role in South Africa nowadays. Christina Laubscher listed National Outcomes 2014 – 2019 and gave an example of Health outcome indicators.

In her presentation Ms. Laubsher dwelled on a role the SAI of South Africa played in KNI's auditing. She named audits performed by the SAI of South Africa and introduced the legislative requirement in South Africa applicable to performance audit reports. Ms. Laubsher described performance management and reporting framework against which the performance information should be managed and reported. Christina Laubscher presented the audit indicators requirements and illustrated some 2012/13 audit results.

Mr. Jan Hendrik Van Schalkwyk representative of **the SAI of South Africa** made a report on new Standards development and adoption procedures. From that perspective having an experience in the process Mr. Van Schalkwyk introduced the ideas concerning the process of a new Standard development. He briefly introduced the exposure draft issued in 2013 by the IPSASB (the International Public Sector Accounting Standards Board) as an example. He suggested that the Group members had to choose a type of a document a Guideline or a Standard. Then the Secretariat and Group members have to start engaging with role-players to start getting views. Key contact persons to deal with at the most senior level are the chair of the KSC, the chair of the PSC and the Secretary General of INTOSAI. The third important issue is the proper justification of the new Standard development before the KSC. Before introducing to PSC, but after the adoption by the KSC the Group can invite some of the countries that have an experience in this area to comment inputs.

Dr. Raffaele Squitieri the President **the SAI of Italy** welcomed all participants of the Meeting, stressed the importance of the KNIs Issue and gave a word to his colleague **Dr. Giovanni Coppola**.

Dr. Giovanni Coppola reported on the Italian development and strategies. Dr. Coppola stressed that each country needed a system of KNI individually designed to identify strengths and weaknesses, taking into account gender differences, particular territorial disequilibrium or advantaged/disadvantaged social Groups, as well as intergenerational issues and so on. In Italy, the CNEL (National Council for Economics and Labor) and ISTAT (National Institute of Statistics) initiated in 2011 the establishment of a steering Group on measurement of the Italian community progress, composed of representatives of both social and civil parties. The aim is the development of a multi-dimensional approach of "equitable and sustainable well-being" (BES), which allows an integration of the key indicators representing all well-being dimensions. The reporter named 12 relevant domains of well-being for Italy that had been identified by the BES project. In his speech Dr. Coppola mentioned the reform law on public accounting and the introduction of the Eco-budget in Italy.

In his presentation Dr. Squitieri gave an example of the Rome strategic project "Metropolitan capital – ideas for better living". The first report on "equitable and sustainable well-being" is the main step for a national overall analysis to be integrated with the reports of the different government levels on their respective projects in order to have, in the near future, a set of tested and reliable indicators to measure the level of well-being.

Mr. Dmitry Zaytsev, the Head of the Secretariat of the WG, presented the Working Plan for 2014. The document was discussed and approved by the participants. According to the plan and the results of the discussion which took place during the Meeting members of the WG approved the timeframe for the preparation of all essential documents in the framework of development of a new INTOSAI Standard on KNIs use in SAI's activities. Mr. Zaytsev stressed the importance of adhering to timeline and to the procedure presented on the Meeting. In addition, he called on all members of the Group to study in detail the website of the Group and give their comments and suggestions on its improvement. Not less important is the adjustment of the Knowledge Base on KNIs, which is an essential tool for the KNIs analysis.

Mr. Joseph Christopher Mihm representative of **the SAI of United States** presented the information about the recent development of the INTOSAI Strategic Plan. Mr. Mihm listed Strategic Goals of the INTOSAI in 2011-2016. Mr. Joseph Christopher Mihm announced that currently under the preparation of the INTOSAI Strategic Plan for 2017- 2022 the GAO of the USA was chosen as the head of the Task Force on Strategic Planning. Mr. Mihm described Task Force Planning

Process and explained the Task Force Approach to the plan development. In the end he stated that he would keep the Group informed about all additions and changes to the Plan.

The representatives of the **SAI of Bulgaria Mrs. Ivanka Kesyakova** and **Mrs. Zhivka Kalaydzhieva** announced Sofia the capital of Bulgaria as the venue for the next Meeting of the WG and made a presentation of Bulgaria. The participants agreed that the 8th Meeting would be held in 2015 in Sofia.

Summing up the results of the 7th Meeting of the WG, concluding remarks, closing of the Meeting

Ms. Tatiana Manuylova thanked the WG members for active participation in the WG activities and especially colleagues from the Indonesia's SAI for excellent organization of the Meeting. Ms. Manuylova outlined the main results of the Meeting and asked the Secretariat to prepare all final documents of the 7th Meeting and to distribute them among all WG members.

Main outcomes include:

1. The Chair's report on the WG activity in 2013-2014 was approved;
2. Three new annexes to the White Paper on KNI were approved:
 - The Principles for the Development and Use of Key National Indicators;
 - SAI's role in development and use of key indicators for R&D evaluation;
 - Analysis of opportunities on the use of KNI for international comparisons in the context of sustainable development and preparation of appropriate recommendations;
3. The decision on getting started the work on the conversion of the White Paper into the ISSAI was adopted;
4. The progress report on the results of the pilot audits realization aimed at evaluating strategies for the national (regional) development with application of key sustainability indicators (as a second phase of the subproject "Analysis of opportunities on the use of KNI for international comparisons in the context of sustainable development and recommendations") was approved;
5. The working plan of the WG in KNI for 2014 was approved;
6. Bulgaria was approved as a venue for the 8th Meeting of the INTOSAI WG on KNI