
Presentation by
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Enhancing Government Performance, Accountability, and Foresight

Nanjing Audit University of China (NAU)
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Thank you, Mr. Li and Mr. Yin, for that kind introduction. I would also like to thank Mr. Wang and Mr. Li for your invitation to be an honorary professor of Nanjing Audit University and am delighted to accept.

It's a pleasure to be here today. Thanks to all of you for taking time out of your weekend to be here today.

Asia has a long and impressive history. But just as important, Asia's future has never looked brighter. Today, the nations around the Pacific Rim are playing a pivotal role in the world's economy. China, for example, is industrializing at a rapid pace and is now a leading supplier of consumer goods to the United States and many other countries.

China is also one of the largest investors in U.S. government debt. Thank you for lending us some of our savings. Most Chinese have a much better appreciation of the importance of savings than most Americans do. As you know, most Americans are great spenders and poor savers. Fortunately, I am not a typical American in this regard.

My first trip to China was in 1983. But my first official visit as Comptroller General was in 2001, when I met with my friend and colleague Mr. Li Jinhua. As you know, Mr. Li, who is here today, is the head of the Chinese National Audit Office (CNAO). He is also an honorary professor at NAU and the host for my current trip to China.

When I visited China in 2001, Mr. Li and I were honored to have a meeting with then-Premier Zhu Rongji. Our discussion was very productive, and I was impressed by the Premier's strong interest in fighting corruption and transforming the Chinese government to meet the demands of the 21st century.

At the end of our conversation, Premier Zhu asked me for one priority recommendation for his consideration. I thought for a few seconds and then said, "Make the CNAO's reports public." After all, transparency is a powerful force that can help fight corruption, improve performance, and ensure accountability.

The Premier listened carefully, but I knew that achieving such openness in China wouldn't be easy. After all, for centuries, Chinese government agencies had done much of their business behind closed doors and beyond the public view. But to his great credit, Premier Zhu acted quickly on my suggestion, and Mr. Li implemented it. As a result, many CNAO reports are made public. And as Mr. Li can tell you, that single step has made a huge difference for the CNAO and for China. Fortunately, it looks like Mr. Li and I will have the opportunity to meet with the new Premier, Wen Jiabao. I am looking forward to it, and appreciate Mr. Li's arranging of the meeting.

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 has two components: first, providing government officials with more insight into which government programs and policies are working well and

which ones are not. Second, providing government officials with foresight about key emerging issues. Such informative and forward-thinking roles should supplement and complement the traditional audit responsibilities of SAIs.

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. (See app. I, table 1.) They apply equally to the public and private sectors and can provide a benefit to many areas, from governance systems to tax systems to pension and health care programs.

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, the U.S. Government Accountability Office (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 in order to "lead by example."

These three elements—incentives, transparency, and accountability—are critically important, and I consider them, along with our agency's core values of accountability, integrity, and reliability, in every major internal and external initiative that GAO undertakes. For example, these 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. Following my remarks, I'd be happy to answer questions about these or other issues.

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, especially 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.

- 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.

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- 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. 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 financial position and future fiscal prospects. Even though we know that a demographic tsunami is building silently offshore—I'm referring to the huge costs associated with the impending retirement of our baby boom generation (those born between 1946 and 1964)—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 inadequate revenues as a percentage of the economy. Unless we change course, the United States faces decades of escalating deficits and debt.

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! In this regard, this past Wednesday, August, 22, the *Financial Times* published an op-ed that I authored. In that piece, I noted the need for the United States to learn lessons from the past while taking steps to focus on the future.

Importantly, some nations have begun to face up to their long-term fiscal challenges. Specifically, two nations in the Asia-Pacific region 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.

As we all know, SAIs have traditionally been in the oversight business. Clearly, our financial audit compliance reviews and investigations 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 efficiency and effectiveness. At the same time, SAIs may perform a range of additional 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 many Asian SAIs are using the Yellow Book in their work, including Indonesia, Mongolia, and Vietnam.

For the fifth time since 1972, GAO recently updated the Yellow Book. With the advice of experts from government, private accounting firms, and colleges and universities, GAO made changes to strengthen and modernize audit quality systems and ethical standards. These new standards are available on our Web site at www.gao.gov.

But audit work is only one of a hierarchy of functions SAIs can and should be undertaking. Envision a pyramid with six layers, each describing a mission. (See app. I, fig. 1.) At the bottom is the most basic mission every government SAI should hope to achieve—fighting corruption. It’s essential that civil servants be honest and committed to the public good. Any government run by corrupt officials anywhere in the world isn’t going to accomplish much, other than picking the pockets of its own people.

The next level in the SAI pyramid is promoting transparency, which helps to facilitate progress on all fronts. The third level is assuring accountability, and I’d include here efforts like compliance reviews. The idea is that all aspects of government should be accountable to the taxpayer for results. At a minimum, every SAI, whatever its budget, whatever its expertise, should be combating corruption, promoting transparency, and assuring accountability.

The fourth level is enhancing government economy, efficiency, ethics, equity, and effectiveness. The fifth level is providing policymakers with options to make government work better by refining programs, consolidating redundant efforts, or adopting best practices.

The sixth and final level in the pyramid is foresight, a function more mature and experienced SAIs should consider undertaking: I’m talking about providing policymakers with a focus on the future. Government decisionmakers need to develop a long-term perspective, understand the big picture, and appreciate the collateral implications of their actions. Too often, it’s the immediate crisis that gets all the attention. Policymakers find it easier to ignore issues whose impact may not be felt for several years, even decades. Importantly, our government’s historical “crisis management” approach to dealing with difficult and controversial policy issues is no longer prudent or appropriate, given the stakes involved.

Created by statute in 1921, GAO is a good example of a mature SAI. 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 Congress to expand its horizon, improve its peripheral vision, and enhance its ability to act in a timely, evidence-based, and integrated manner. We want policymakers to better understand where we are, how we may look 30 or even 50 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 of charge 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 last year, the U.S. government announced it would 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 only lasted 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. To keep the pressure up, in February GAO published an unprecedented fiscal sustainability report and sent it to every member of the House and the Senate as well as the press and across America.

As a result of these and other efforts, we’re finally starting to see greater concern about America’s long-range fiscal challenges. For example, recently proposed legislation would convene a commission of leaders, including myself as Comptroller General, to study entitlement and tax reform issues and recommend changes. In addition, just last week, a major presidential candidate announced his intention to make our fiscal and other key sustainability challenges a centerpiece of his campaign.

GAO continues to emphasize the need to take a more strategic, long-range, cross-cutting, and integrated approach to a range of domestic and international sustainability challenges. We published two other key reports in April. The first was our updated strategic plan. The second was our first-ever strategic themes booklet, which examines the forces affecting the United States and other countries. You can also find these documents on our web site free of charge.

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 geographic or political boundaries. I'd include here economic globalization, new security threats, diseases such as AIDS and avian flu, environmental concerns like climate change, and natural disasters. In fact, I spoke two years ago in Jakarta on tsunami relief just months before two major hurricanes devastated New Orleans and much of the Gulf Coast. 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 cooperate 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 and standard setters—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 Canada, China, Chile, the Czech Republic, and Cameroon.

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 some of you may know, I was honored to chair INTOSAI's strategic planning task force, and I know firsthand the contributions that regional members like Korea and other task force members 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 (outcome-based) 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 and protocols 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. In addition, in my view, "core values" represent an excellent way to convey institutional beliefs and boundaries that will help to facilitate timely, sound and consistent decision making.

Key national indicators represent another tool that can help governments focus on current performance and develop a more positive future path. 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, education, and the environment. Such indicators can help guide strategic planning, enhance performance and accountability reporting, and encourage more informed decision making and effective oversight, authorization, and appropriations decisions.

Key indicator systems are now used by various supranational and international entities, including the European Union, the Organization for Economic Co-operation and Development (OECD), and the United Nations. 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 one of two main themes for its 2007 congress in Mexico City. The United States is chairing this theme and we look forward to addressing it with our colleagues in Mexico City this November.

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, and plan to expand its use to other areas.

In closing, enhancing government performance 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 to your offices, I hope you'll consider the things I've said in connection with your own work. It's time that policymakers everywhere focus more on achieving real results today while taking steps to build a better future. In my view, it's the best way to ensure a brighter tomorrow for our countries, our families and citizens, and our planet. And in my view, accountability professionals have the opportunity to lead the way.

Thank you for your time and attention.

Appendix

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.

