

## Auditing Management

The Auditing Office, an independent body which reports to the Secretary General, was formed in October 1998. Its goal is to provide fair and objective auditing of internal divisions, and it employs the most modern management techniques in order to:

(1) Ensure that the ICDF's goals, regulations and policies are respected (2) Monitor the timely achievement of operational and project goals (3) Guarantee the security of all ICDF assets (4) Make sure that all resources are being used in the most efficient manner (5) Ensure that information collected is reliable and comprehensive.

### Focus of Auditing Office in 2002

The focus of the ICDF's Auditing Office in 2002 was on (1) Establishing standardized auditing methods and procedures (2) Intensifying specialized training of auditors (3) Strengthening internal management auditing. The following details the work accomplished in these areas:

#### 1. Establishing Standardized Auditing Procedures

Systematic procedures not only facilitate the actual auditing process but also strengthen internal control, prevent waste or misuse of resources, and raise overall managerial efficiency. Starting in 2002, auditing plans for the entire year were drafted at the beginning of the year. Annual audits take into consideration the ICDF's operational policies and strategies, the expectations of the Board of Directors and Supervisors, and relevant changes in the organization, management or operations.

In order to heighten awareness of auditing methods, the Auditing Office in 2002 established standardized procedures for all aspects of the auditing process, from initial preparation, the actual audit, post audit analysis, formulation of audit result reports, to follow up procedures. A positive aspect of auditing is that problems can often be solved easily as a result of suggestions made during the process by members of the units being audited.

#### 2. Intensifying Specialized Training of Auditors

Internal auditing work covers operations, accounting, finance, corporate management, rules and regulations, personnel, procurement, and computer and information systems. To enhance the quality of work and build up professional expertise, Auditing Office personnel in 2002 participated in a variety of training courses. Also, new channels are being established for technical interaction with outside organizations, in line with the goal of improving the ability of auditors to adjust auditing principles and techniques in order to meet changes in the environment.

#### 3. Strengthening Internal Management Auditing

In the past, auditing focused strictly on operations. As work is increasingly being delegated to separate divisions, it is important to determine the effectiveness of discrete support bodies in implementing various projects. Therefore, audits in 2002 were extended to managerial and supporting divisions, including technical mission personnel management, reserve personnel training programs, work records management systems, financial asset management, supervision of ICDF chops, inventory of fixed assets, and cashier's operations and human resources procedures in the accounting office.

### Audits Completed in 2002

Two audits related to operations were completed in 2002, while five audits related to accounting and payments, three regarding human resources and personnel, one related to procurement, two on fixed asset

management and one concerning financial operations were carried out. Suggestions on ways to improve various aspects of work were provided to these bodies for reference.

## **Future Prospects of Auditing Operations**

A principal objective of auditing is to prevent impropriety. Attention to profits and risk management are also important. In light of the ICDF's increasingly diverse and complicated operations, audits will also provide suggestions and possible courses of action to senior management.

### **1. Establishing an Internal Control Mechanism**

The ICDF's operations and projects have traditionally been foreign oriented, with each operational body being run according to different guidelines, handbooks, rules and principles. Given the increasingly diverse nature of operations and the dynamic transfer of officials within the organization, a systematic internal control mechanism is of great importance. The mechanism created by the ICDF is expected to: (i) Ensure the appropriateness and effectiveness of present regulations and operational guidelines (ii) Integrate the various regulations and guidelines of each division in order to raise operational efficiency (iii) Establish standardized procedures for employees' duties (iv) Ensure the utmost reliability of financial reports (v) Allow for the accumulation of organizational experiences and knowledge (vi) Provide managers with the most effective management tools.

### **2. Categories of Internal Control Mechanisms**

Internal control mechanisms regulate procedures and standards in all areas, including operations, accounting, finance and personnel. It is expected that these mechanisms will, by allowing access to various analytical reports or information, enable employees to recognize potential risks before they pose real risks to the organization.

### **3. Content of Internal Control Mechanisms**

The establishment of internal control mechanisms for individual divisions is contingent upon creating links among divergent types of interrelated operations. Internal control mechanisms are currently in place for policy planning management, investment and lending, operations, procurement, salaries, assets, accounting, and service management.

### **4. Internal Control Implementation Status**

The internal control system, created in November 2002, was designed to create a mechanism specifically tailored to the needs of the ICDF. Therefore, the design process involved a wide range of individuals, from senior executives, division supervisors, auditing personnel, to members of each division. Prior to the establishment of the internal control task force, four lectures were conducted in order to ensure that all employees understood the goals and function of the mechanism being created. Five criteria (environmental control, risk assessment, control operations, information and communications, and supervision) were incorporated into the system, and each of those divisions has now submitted recommendations for system guidelines.

### **5. Prospects on the Establishment of Internal Controls**

The internal management controls that are being put in place are expected to raise the efficiency of the ICDF in implementing its foreign assistance projects, and to assist greatly in guaranteeing the long term development of Taiwan's foreign assistance work.