

Auditing

Mission

Internal auditing's goal is to assist management in achieving efficient and reliable operations. In line with increasing public expectations of effective assistance work, the government's supervisory and auditing agencies are requiring an increasingly transparent working environment. ICDF auditors are tasked with raising the practical value of audits and assisting top-level management in achieving management goals more efficiently.

In the auditing process, auditors not only examine ICDF financial information, operational results, adherence to regulations, systemic and asset safety and procurement issues. Risk management procedures are also reviewed in order to provide an independent and objective assessment of procedure effectiveness. Instead of focusing on the negative, reports provide constructive suggestions and stress measures that can be taken to rectify any weakness identified. Management uses audit reports in their forward-looking planning activities.

Types of Audits

Annual Auditing Project

In 2003, ICDF auditors revised their auditing procedures and began to use an annual plan that mapped out auditing activities over the entire year. Given the limited financial resources available for audits, an annual theme for a year's audits as well as priority areas were decided on the basis of risk factors. On the other hand, audits were also implemented based on suggestions from top-ranking managers and the government's supervisory and auditing agencies. In addition, audits were designed to assess the level of financial transparency within the ICDF.

Selection Principles of Auditing Themes

Auditors and departments being audited must work

together in the auditing process and better auditing principles were instituted at the ICDF in 2003. In addition to investigating irregular operating activities and revolving capital, auditors, prior to an audit, must clarify the goal of an audit, the timetable, and all information required from audited departments. Meetings will be held to discuss problems uncovered and raise suggestions so that a department undergoing an audit better understands audit results. After top managers have approved audit findings, auditors will continue to monitor the audited department to determine the implementation status of audit recommendations.

Focus of Work

Assistance to Establish Internal Controls and Risk Awareness

Auditing work in 2003 focused on work related to "internal control." In this regard, auditors would investigate whether departments (and department staff) under audit have been abiding by ICDF rules and regulations, whether they maintained a high level of risk awareness and assessment capabilities, whether mandated procedures were being followed, whether a proper division of responsibility among different departments was being carried out, and whether departments were coordinating their operations of others. Also, auditors assessed the degree of effectiveness in which departments were carrying out operational procedures.

Audits cover the eight major control mechanisms specified under the ICDF's internal control system. Re-audits will be conducted to determine whether the 94 suggestions made by the auditing department during 2003 were being implemented. The work of the audit department in this area assists the ICDF to create



an organizational culture with a systematized environment in which ICDF staffs have a properly heightened level of risk awareness and response.

Raising Auditing Quality

Audits cover all areas of ICDF operations and management affairs. In order to raise the quality of audits and boost the usefulness of audits for top level management, the ICDF in 2003 hired two new auditors. One has a strong background in finance and accounting and the other has a strong legal background.

The financial auditor focuses on ICDF financial records, the handling of such records and related reporting. The auditor's job is to determine whether ICDF accounting system disclosures meet accepted accounting standards. The auditor also examines management of fund flows within financial and accounting departments to make sure that all standards stand up to scrutiny.

The legal auditor investigates whether departments being audited abide by various rules and regulations as well as the obligations in contracts signed by the ICDF and other institutions. The auditor makes sure these contracts adhere to ICDF rules and works to prevent any problems that could impact negatively upon ICDF interests.

Internal Controls as Basis for Audits

The ICDF internal control system was completed in early 2003 and auditors used the system as a basis for their audits during that year, judging whether audited departments were abiding by the latest policies and whether institution of new procedures was effective. This helped to boost audit report objectivity.

Finished Tasks and End Results

Completion of the Internal Control System

Planning for the ICDF internal control system was

done with the support of the highest levels of management and in coordination with each department and office. A task force was formed to implement the system and eight control mechanisms were designed to control operations. Over a four-month period, the task force completed drafts of 93 system-related articles and, at their 27th Joint Board Conference in April 2003, the new system received approval from the ICDF Board of Directors. The new system will assist society to further appreciate the concerted efforts made to improve ICDF internal management and increase transparency in the implementation of foreign assistance.

SARS Prevention Task Force

During the 2003 outbreak of Severe Acute Respiratory Syndrome (SARS) in Asia, auditors assigned responsibilities for designing SARS prevention measures and procedures. The situation was reviewed daily, and a notification mechanism was adopted to generate effective, real-time reports. In order to disseminate the latest prevention information, auditors each day produced a SARS prevention bulletin that summarized prevention information issued by medical agencies throughout Taiwan, which was distributed to all employees.

To strengthen risk management during the SARS outbreak, the ICDF staged a drill to test isolation procedures. During the drill, ICDF accessed data and conducted regular work through their home Internet hookups, fax machines, and phones. The ICDF navigated through the SARS risks without incident thanks in good part to these preventative measures. The impact of SARS preparedness on operations was minimal.

Number of Audits

Eighteen scheduled audits and three special audits (called for by ICDF executives) were performed during 2003. Operations accounted for eight of the audits, finance and accounting affairs accounted for three each,

treasury, personnel, and procurements accounted for two each, and asset management accounted for one. A chart showing audit composition is shown below.

Audit Suggestions

Audits staged in 2003 produced 143 suggestions on how to improve operations and effectiveness, compared with 24 suggestions in 2002. Of these, 20 were related to amending ICDF bylaws and regulations, 28 were regarding regulations adherence, 53 on the adjustment of operational procedures and 42 in relation to operations improvement. If counted on the basis of various internal controls, 23 were related to financial affairs, 15 to accounting, 24 to treasury, 51 to operations, 15 to personnel, 10 to procurement and five to assets. High-ranking managers held five meetings with various departments to adjust operational procedures or to amend bylaws. In addition, the re-examination mechanism from the Auditing Office has direct or indirect results in terms of strengthening the ICDF's risk awareness, abiding by regulatory systems, strengthening interdepartmental cooperation and internal auditing, and improving operational procedures. For example, employees in the accounting, financial

affairs and treasury departments have held coordination meetings to discuss the Fund's operations and operational procedures. This is a reflection of a suggestion made for better review of the ICDF's short-term investment. In response to another suggestion to stage reviews of the ICDF's fixed assets, the Accounting Office in 2003 began taking inventory checks of fixed assets each March and September. This effectively raises the level of safety and accuracy in terms of fixed asset management.

