

The XI IACC

WS 3.1: Making Oversight Effective

OVERSIGHT
BY SUPREME AUDIT INSTITUTIONS:
The Korean Experience

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I. INTRODUCTION

Most of the governments around the world have sought to achieve more effective control and management of public expenditure and to plan and evaluate public policy. Accordingly, the importance of an oversight by the Supreme Audit Institution (SAI) is increasing.

During the XVII INTOSAI (International Organization of the Supreme Audit Institutions) Congress¹ held in Seoul in 2001, delegations from 140 SAIs discussed how SAIs could make contributions to administrative and government reforms using their independent audit responsibilities. The *Seoul Accords* adopted at the Congress show general agreement that SAIs have served as an auditor, advisor, researcher and developer, and as a model for effective public management.

Further, the new Korean administration that was launched in last February is pursuing “*Participatory Government*,” which enables the public to take more participation into government decision-making process. To fulfill the roles of an SAI and make a difference for the people by contributing to more accountable and better-performing government, the *Board of Audit and Inspection of the Republic of Korea* (BAI, SAI of Korea) has set its directions of operation as conducting reform-oriented audits, productive audits and open audits:

First, *reform-oriented audit* mobilizes BAI audit capabilities and resources for transforming the government’s role to meet 21st century challenges and thus leading to successful government reform and national competitiveness. Second, *productive audit* focuses on prevention and guidance rather than discovery and punishment of illegal or improper acts, thus, maximizing benefits from policy execution. Third, *open audit* puts greater emphasis on meeting the higher expectations of the people and addressing the challenges to the well-being of the people.

These days, moreover, BAI is considering shifting to *program evaluation* from traditional financial audit and performance audit. Through program evaluation that

¹ INTOSAI is a professional organization of supreme audit institutions (SAI) in countries. INTOSAI was founded in 1953 and has grown from the original 34 countries to a membership of over 170 SAIs. The triennial congress offers all INTOSAI members a unique opportunity to gather at one time in one place to share experiences, discuss issues, and pass recommendations aimed at improving government accountability worldwide.

concerns the economy, and efficiency, and effectiveness as well of government programs, BAI thinks it may provide independent assessment and advice that can enhance government accountability and performance.

Based on individual experiences, this paper will introduce how BAI has put the directions of operation into action from the past and present perspectives and will conduct program evaluation from the future perspective under discussion.²

II. BACKGROUND OF BAI

The audit system in Korea has a history of more than 1,300 years. After the establishment of the Republic of Korea, *The Board of Audit* and *The Commission of Inspection* were established to carry out audits and inspections, respectively, of the central government, local governments, government-invested organizations, and other organizations. In 1963, the two institutions were merged and BAI was born.

1. Duties and Functions

BAI, a Supreme Audit Institution of the Republic of Korea, is a Constitutional agency, whose functions, status and organization are clearly stated in the Constitution. BAI is established under the President of the Republic, but it is independent in performing its duties.

Provisions of the *Constitution* and the *BAI Act* mention three major responsibilities of BAI: (i) BAI verifies the accounts of revenues and expenditures of the central government; (ii) BAI carries out strict financial audits of the accounts of the central government, provincial and local governments, government-invested corporations, and other entities of public nature; and (iii) BAI inspects the performance of government operations and duties of government officials.³

² BAI set up a special task force to work out measures of reforming BAI operation and how to perform program evaluation. The task force will make public a report by the end of May in 2003.

³ Characteristically, BAI carries out both audit and inspection activities that cannot be separated from each other. Sometimes, *BAI audit* used in this paper includes *inspection*.

More than 35,000 entities with more than one million staff members are subject to mandatory audit and inspection of BAI. Inspection activities extend not only to government operations and duties of civil servants, but also to the business of government-invested corporations and duties of their offices. For the improvement of government operations and performance of public officials, BAI can investigate problems not pertaining to the use of public money.

After auditing the closing of accounts of revenues and expenditures every year, BAI reports the results to the President and the legislature or the National Assembly in the following year. Further, BAI reports to the standing committees (i.e. Legislation and Judiciary Committee) or special committees (if necessary) of the National Assembly⁴ and the President on the matters that are considered important as a result of audit and inspection.

2. Organization

BAI comprises of the Council of Commissioners, the Secretariat, and the Audit and Inspection Training Administration.

The highest decision making body is the *Council of Commissioners*, which is composed of seven Commissioners including the Chairman. The *Chairman*, who is appointed by the President of Republic with the consent of the National Assembly, heads the BAI. The Council of Commissioners deliberates on audit and inspection findings for adjudication.⁵

The *Secretariat* with more than 800 staff members is the operational arm of the Chairman. The *Audit and Inspection Training Administration* provides training programs for BAI staff, internal auditors, and accounting officials.

Especially, BAI newly established *Environmental and Cultural Audit Group* that is in charge of auditing major government programs related to environmental, health, tourism

⁴ The National Assembly may request by resolution that BAI conduct audit and inspection in a specific area. BAI should report the results to the National Assembly within the given period of time.

⁵ The decisions of BAI on the results of audit and inspection are conveyed to the agencies concerned. Based on audit findings, BAI asks the agency concerned to take necessary actions for improvement.

and cultural issues.

Further, the *Commission for the Prevention of Corruption* (CPC) was set up in 1993 as an advisory body for the Chairman of BAI. The CPC helps the Chairman of BAI by providing advice and recommendations on the fight against corruption.⁶ Around 20 prominent citizens representing various walks of life are appointed to the Commission.

3. Utilization of IT

BAI began to develop a “Comprehensive Audit and Inspection Information System (CAIS)” in 1998 to establish a new supporting system in the age of knowledge and information. The development of CAIS, which electronically supports audit activities from planning through reporting and follow-up, was completed in 1999.

On the other hand, “National Audit and Inspection Information System (NAIS),” which was developed in 1995 to avoid overlappings of audit and inspection, was remodeled in 1999 into a new system providing a graphic user interface. Further, a total of 828 government agencies and public bodies were allowed to have access to NAIS to gather information on audit plans and results of government agencies, audit findings of BAI, resolutions of BAI, and audit manuals, etc.

4. Other Major Activities

Other major activities include re-examination of BAI resolution, in case of an appeal by the audited of the resolutions and substantiating claims that the government operations have infringed the rights or interests of the people. This is intended to protect the rights of citizens efficiently.

BAI also settles petitions and complaints from the people. This is a convenient

⁶ In 2002, the Commission for the Prevention of Corruption (CPC) convened for five plenary sessions. The Commission discussed a variety of issues confronting our society to find solutions. “A study of food administration: problems and improvement measures” and “Recommendations for audits of environmental degradation, public administration reforms, distribution and safety in food and drugs” were among what CPC presented to the Chairman of BAI, to cite just a few. CPC’s three technical committee were established to study such issues as R&D, food wastes, and venture businesses.

arrangement for the people to protect their rights and interests through BAI. BAI established a nationwide, toll-free hotline to receive petitions and complaints from the people. The *188 Hotline* can be reached by facsimile or through the Internet.

The system of “*Request for Audit*” was established in 1996 to promote the confidence of the people, popular participation and timeliness in the audit and inspection work of BAI. Local councils, heads of the entities subject to BAI audit, civic groups organized for public interest, and a set number of citizens can ask BAI to conduct audit and inspection in a specific area for the sake of public interest. Areas of audit and inspection are limited to matters related to public safety and the quality of life.

III. DIRECTIONS OF OPERATION: PAST AND PRESENT PERSPECTIVES

Through the audit, BAI has been trying to be dedicated to inducing economic development, harmonized society and improved quality of life and in result to contributing to national development by helping the government.

To help the government pursue its national goals as well as respond to people’s expectations, BAI reflects them on its directions of operation. The three basic directions are reform-oriented audits, productive audits, and open audits.

1. Reform-Oriented Audit

Reform-oriented audit focuses on providing the necessary guidance and recommendations for successful government reform and national competitiveness. BAI audits are conducted to remove the high-cost, low-efficiency of national and social structure by actively supporting the government’s reform efforts. Further, through audit BAI secures a growth engine and lays the foundation for an advanced economy by transforming the audit process in a way to enhance national competitiveness in this era of knowledge, information and globalization.

As an example of reform-oriented audit, to develop knowledge and information

technology, and nurture creative human capital, for example, BAI performs audits to secure a new growth engine by inspecting policies for developing key technologies of the future such as IT, BT and NT and policies which support studies of basic science.

Also, BAI audits are conducted to lay a foundation for an information power house by closely inspecting the overall national informatization projects such as the expansion of information infrastructure, removal of the digital divide within and across regions and classes, provision of high-tech communication and broadcasting services, and development of an e-government.

[Audit Case]

With the aim of becoming a strong knowledge and information powerhouse, the Korean government invested a total of 7.7 trillion won in informatization to establish an e-government from 1996 to 2002.

From June to September 2002, BAI conducted an audit of 47 agencies including the Ministry of Information and Communications on the overall developments of establishing an *e-government*. One of the major audit findings is attached to *Appendix 1*.

2. Productive Audit

Productive audit is to be focused on preventing inefficiency and ineffectiveness of the government. BAI audits are conducted to eliminate any unnecessary procedures and measures in the government sector.

Through audit BAI analyzes costs and benefits of the major programs prior to execution and inspects the execution process on a regular basis. Thus BAI audits create a transparent and efficient government by focusing on reforms in system and institution to fundamentally eradicate corruption, remove inefficiency and prevent waste.

As an instance of productive audit, BAI, for efficient development and management of the land, carries out audits to encourage well-balanced local growth by inspecting various policies related with local development; by fostering strategically important

industries in local areas; and by realigning locations of corporations across the nation.

BAI is to secure the effectiveness of various projects by inspecting large-scale state-sponsored projects including the establishment of such as railroads, ports and harbors; devising countermeasures for traffic congestions in and out of metropolitan areas; and attracting private investment in social infrastructures.

Further, BAI performs its auditing activities to improve the quality of constructions by eradicating harmful practices such as prearranged bidding and illegal contracts, which are the main causes of fraud, as well as by strengthening inspections on construction sites and setting up supervisory systems in vulnerable areas.

[Audit Case]

BAI conducted an audit of 12 institutions including “*The Korean Organizing Committee for 2002 FIFA World Cup*” from March to May 2001 to examine the status of preparations for the 2002 FIFA World Cup Games.

The audit was carried out, in the middle stage of World Cup preparations, to see if the efforts to organize the international event were going smoothly without any major bumps and ensure a successful 2002 FIFA World Cup. In the audit, stadium construction, arrangements for accommodations, transportation, cultural programs, plans for utilizing the stadiums after the World Cup Games and others were scrutinized. One of the major audit findings is provided in *Appendix 2*.

3. Open Audit

Open audits are focused on meeting the higher expectations from the public. BAI audits are conducted to improve the living conditions by increasing the share of audit related with civil affairs and by strengthening inspections on the source of inconveniences in daily life and possible safety hazards. Further, BAI encourages participation of the general public by facilitating civil claim system in order to respond promptly to the needs of the people.

To expand the social safety net and improve the living environment, for example, BAI audits are conducted to support so-called “productive welfare” by examining policies related with the financial operation of the national pension and health insurances, protection of workers and welfare of the underprivileged. Also BAI audits are carried out to improve the overall living environment by examining policies of cultural heritage conservation, development of the tourism industry, environment protection, and pollution prevention.

[Audit Case]

The government established a comprehensive plan to improve the *water quality around the valleys of four major rivers* and invested 15 trillion won from 1993 to 2000 for the water quality improvement projects. However, there was not so much improvement as proposed in the plan.

To identify the reasons and recommend alternatives, BAI carried out 4-phase checks against 28 government institutions such as four government departments including the Ministry of Environment, seven environmental management offices, environmental management corporations in 15 cities and provinces from February to August 2001 and conducted audits in three steps from September to October, 2001. One of the major audit findings is provided in *Appendix 3*.

IV. PROGRAM EVALUATION: FUTURE PERSPECTIVE

1. Introduction

According to the *INTOSAI Auditing Standards*, the full scope of government auditing includes regularity and performance audit.

Regularity audit embraces: (i) attestation of financial accountability of responsible entities, involving examination and evaluation of financial records and expression of opinions on financial statements; (ii) attestation of financial accountability of the government administration as a whole; (iii) audit of financial system and transactions

including an evaluation of compliance with applicable statutes and regulations; (iv) audit of internal control and internal audit functions; (v) audit of the probity and propriety of administrative decisions taken within the audited entity; and (vi) reporting of any other matters arising from or relating to the audit that the SAI considers should be disclosed.

On the other hand, performance audit is concerned with the audit of economy, efficiency and effectiveness and embraces: (i) audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies; (ii) audit of the efficiency of utilization of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and (iii) audit of effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact.

2. From Regularity Audit to Performance Audit

Regularity (financial or compliance) audits relate to the extent to which expenditures and actions implied are authorized.

In contrast, performance audits deal with the extent to which the expenditure and implied actions have minimized the inputs for stipulated outputs (economy), or maximized the outputs from the inputs used (efficiency), or maximized the desired products or impacts of programs (effectiveness). Whatever this type of auditing is called (value-for-money, comprehensive auditing, or efficiency and effectiveness auditing), its function is to hold activities and programs to account not only for the extent to which their spending and actions were authorized but whether they were appropriate in a managerial sense (Gray and Jenkins 1993, p. 189).

All expenditures must satisfy strict requirements that they are in the amounts and for the purposes laid down in statutes. This encourage auditors to ask, as their first question, not “Was the program effective in achieving policy goals?” or even “Was the program efficiently managed?” but rather “Was the expenditure of funds in accordance with the law?”

Of most countries, a large-scale and rapid growth in government spending causes the people to have a greater interest in the economy, efficiency, and effectiveness of public expenditures. Better responding to the changing audit needs and emerging audit issues, the role of an SAI has to be changed. Thus, the scope of audit has been extended from regularity audits to performance audits that have a concern for the economy, efficiency and effectiveness of government programs.

Also, in Korea, the importance of performance audit compared to regularity audit is increasing.⁷ For example, the number of performance audit carried out by BAI increases to 86 in 2002 from 65 in 2001. Further, in 2002, 189 regularity audits were conducted with 12,683 man-days but 86 performance audits were done with 129,702 man-days. That is, more than 90% of BAI manpower was used for performance audits.

3. Performance Audit and Program Evaluation

The shift from regularity to performance auditing begins to blur the auditing-evaluation boundary, questioning whether auditors are different from evaluators and whether audit can take on an evaluatory role and mission (Gray and Jenkins 1993, p. 190).

The primary concern of most governments has been the control of public expenditure and the planning of policy. Through *audit* financial control and the accountability of resource use can be ensured; and through *evaluation* economy, efficiency and effectiveness can be promoted. Thus governments to strengthen control, planning and accountability in the policy process have used auditing and evaluation. These functions have been regarded as central both to cohesion of the political system and the sustaining of economic growth (Gray, Jenkins, and Segsworth 1993, p. 3).

The US General Accounting Office (GAO) evolved from a voucher audit agency first, to a financial management agency in the 1950s and then to an audit and evaluation agency under Comptroller General Elmer Staas in the 1960s and 1970s (Stever 1997, pp. 348-352).

The US GAO was moving extensively into program auditing, which began to look more

⁷ In BAI, audit activities are classified into general audit, performance audit and special audit. This paper regards general audit as regularity audit. And special audit is assumed to be included in performance audit.

and more like evaluation (Havens 1990). Mathiasen recognizes that to an increasing extent GAO has focused its efforts on program evaluation, often couched superficially in the terminology of the auditor. He also notes today GAO does far more evaluation work than audit work (Mathiasen 1993, p. 19).

It would seem that program evaluation would be an essential factor in supporting the changes in spending priorities that the administration hoped for (Mathiasen 1993, p. 29). Moreover, members of National Assembly or Congress may distrust administration evaluations as being self-serving or superficial. Thus, to an increasing extent many SAIs have focused its efforts on program evaluation. Evaluations are, in most cases, aimed at improving *program effectiveness*.

4. How to Carry Out Program Evaluation

A. Introduction

Evaluation can be separated from auditing. That is, auditing raises the how questions of expenditure while evaluation asks why services or goods were provided in a particular way or at all (Gray and Jenkins 1993, p.192).

Auditing and evaluation often share linguistic concepts such as accountability, efficiency and effectiveness, the interpretation of these terms varies considerably. The program evaluation movement in USA continues to develop as analysts at national, state, and local levels of government persist in their quest to improve public programs and policies (Mathiasen 1993). The activities of the US GAO tend to weaken the distinction between auditing and evaluation, giving audits a greater evaluative capacity (Gray and Jenkins 1993, p. 191).

BAI has been performing its duties and responsibilities as an external evaluation agency while carrying out its audit activities,⁸ as seen from the audit case attached to **Appendix 4**. Thus, in this paper, it is assumed that *evaluation* would be integrated into *auditing*.

As mentioned before in this paper, responding to the people's increasing need for more

⁸ Even though BAI has not been performing evaluation activities separately from its audit activities, BAI is considering forming a different definition of program evaluation from audit and revising the BAI Act.

effectiveness of government programs, BAI is drawing up a master plan of “*how responsibly and fairly BAI can carry out its role as an external evaluation agency.*” Thus, this paper deals with the above issue based on individual suggestions.

Taking into consideration the three factors of program evaluation such as evaluation agency, the evaluated, and users of evaluation results, BAI has to make a future plan on how to get its job done.

B. Users

Program evaluation has become of vital importance to decision makers, since evaluation can close the learning loop in the policy process, i.e., by feeding into the policy cycle the information obtained from evaluation studies (Gray, Jenkins, and Segsworth 1993, p. 9).

A user applies the results of program evaluation to one’s need. The user can be classified into the following:

- The evaluated that has to take necessary measures according to the evaluation results notified by the evaluation agency;
- The National Assembly or Congress that would use the evaluation reports made public by the evaluation agency for its legislative activities such as deliberation on bills or government budgets;
- Other administrative agencies that would use the evaluation results for their own needs such as the *Ministry of Planning and Budget* that formulates the national budget or the *Office of Government Policy Coordination* whose functions are policy coordination, evaluation, and regulatory reform; and
- People who would participate in public policy procedure and suggest their demand or require government policies to be corrected based on the evaluation results.

Moreover, these days, greater citizenry participation is being sought. New channels for

dialogue have to be utilized actively, including discussions with citizens in cyberspace, and meetings with diverse groups and representatives.

C. Evaluation Agency

Evaluation agencies are classified into internal and external agencies according to independence and objectivity of evaluating activities.

An internal evaluation agency carries out its role within the pertinent agency. Or some other administrative agency can perform the role as an evaluation agency for administrative control or budgetary management.

In Korea, the four administrative agencies as an internal evaluation agency are carrying out their own missions relating to evaluating government programs: (i) the *Office of Government Policy Coordination* has a responsibility for government performance evaluation; (ii) the *Ministry of Planning and Budget* manages a performance-oriented budgetary system that places greater emphasis on results; and (iii) the *Ministry of Government Administration and Home Affairs* and the *Civil Service Commission* manage the performance-related pay system that is operated in connection with the performance management systems such as MBO (Management by Objectives).

On the other hand, an external evaluation agency performs its duties independently and objectively from the outside of administrative agencies. In Korea, BAI has been conducting its role as an external evaluation agency.⁹

For more responsive and fairer program evaluation, BAI personnel, organization, and operations have to be adjusted to the changing circumstances:

- An evaluator of BAI has to be well acquainted with the subject to be evaluated. Thus the supplement of personnel with professional skills and knowledge required such as data collection, statistical research and policy analysis would be essential. Education and training courses must be provided to an evaluator without or short of required skills and knowledge to perform program

⁹ BAI's evaluating activities may overlap with those of internal agencies. Thus the government and BAI are considering how to avoid overlappings between internal and external evaluation agency.

evaluation;

- Evaluation methods and indicators must be more developed. The *Audit and Inspection Training Administration* that provides training programs for BAI staff, internal auditors, and accounting officials should be enlarged into a research and training institution;
- The organization of BAI as an evaluation agency has to maintain flexibility according to the subject to be evaluated. That is, how an evaluating team is organized depends on what is evaluated; and
- A head of the team makes an evaluation plan including manpower, cost, period, expected evaluation results and so on. Then he or she makes a contract with a superior official and has an individual responsibility for evaluation results. That is, according to the results, he or she will be rewarded or punished.

D. The Evaluated: Evaluation Plan and Reporting

Since there are a lot of subjects to be evaluated, the priority order of evaluation must be set up. The users' opinions have to be reflected in decision-making process for the priority order of evaluation. BAI may establish an arrangement that can be tentatively named "*Evaluation Subject Selection Committee*" into which representatives from the users take participation.

BAI may wish to make an evaluation plan in consultation with the Committee. Two kinds of evaluation plan can be made; a short-term plan that shows a one-year evaluation plan and mid- or long-term plan that includes a four- (BAI Chairman's tenure) or ten-year evaluation plan. After the evaluation plan is finalized through social consensus, the plan must be made public.

Evaluation reports should include users' responses or opinions for ensuring fairness and objectivity. Before evaluation reports are finalized, they have to be reviewed by users. Thus, the tentatively named "*National Evaluation Committee*," of which the above "Evaluation Subject Selection Committee" can perform the role, can be established as an advisory group within BAI.

Evaluation reports that show how the job was done should be designed to provide feedback to government programs. An SAI normally reports adverse findings to the evaluated, members of the National Assembly or Congress, and others, which in turn have to fully publicize them to encourage corrective action. Moreover, for assuring users of more transparent performance of evaluators' activities, evaluation reports must show who did the job.

V. CONCLUSION

Based on personal experiences, this paper introduces the Korean SAI's background and how it has carried out the directions of operation for its job and will conduct program evaluation from the future perspective.

Since the new Korean administration is pursuing "*Participatory Government*," more citizenry participation than ever will be actualized. Considering the people's increasing need of more effectiveness in government programs, this paper suggests that program evaluation must be integrated into auditing. Further evaluation reports that include users' viewpoints and show who did the job must be made fully public.

The role of an SAI cannot be fixed. An SAI has to change by responding to the changing audit needs and emerging audit issues. Integrating auditing and evaluation can lead to the better management of government, more informed choices or efficient feedback mechanisms that sustain, support and prevent future mistakes. In the end, evaluation by an SAI makes oversight by an SAI more efficient.

[Appendix 1]

The Audit on E-government Project

The Minister of Government Administration and Home Affairs (MOGAHA) invested a total of 23.7 billion won in the *Government for Citizens System Project* (G4C) completed by November 30, 2002. This project included both the Single Access Window for e-Government (SAW) which would allow citizens to handle civil affairs without the need of visiting government agencies and the Information Sharing System (ISS) which would enable administrative bodies to share information smoothly.

However, because the exact range of civil affairs and information sharing was not specified before the system was developed, online issuance of civil documents is not possible as of now, so issued documents are either sent to citizens by mail or picked up by themselves at the government agencies. In addition, there is no way to deal with the 104 types of documents that require issuance of additional documents. Also, since the revision and renewal period of the shared information was not yet made, effective management of shared information is nearly impossible.

Furthermore, SAW overlapped Home Governmental Service (HGS) of Comprehensive Information Management System for Local Autonomy (CIMS) and ISS was similar to Dissemination and Management Center for Electronic Government Documents Project (DMCFEGDP).

If the G4C system continues this way, the total amount of 23.7 billion won invested in this project is highly likely to be wasted and only confusion will increase when citizens try to use this system.

Accordingly, BAI recommended that the minister of MOGAHA establish an exact scope of the G4C system as early as possible, and take measures to eliminate overlapping functions among Comprehensive Information Management System for Local Government, Dissemination and Management Center for Electronic Government Documents Project, and the G4C system.

[Appendix 2]

The Audit on 2002 World Cup Preparation Status

Daegu Metropolitan City Construction Headquarters, in calculating wind load for designing statues at *Daegu* World Cup Stadium, applied 21meters for the height from the statue floor level and exposure B (areas strewn with buildings of medium height) and came up with the lateral force of 72.5kg/m² when it should have applied ground level height of 37meters and exposure D (areas without obstacles) and come up with the lateral force of 163.5kg/m².

As actual stress in major members of the statues exceeded 1.23 times the allowable stress, the safety of statues was questioned. Outer fence around the stadium entrances should have been designed in a way that it could sustain more than 80kg lateral force per meter.

However, 66m of the 748m long fence was designed and constructed in a way that support was set up on granite stones, which has only the lateral strength of 19.5kg per meter.

This erroneously designed fence could put visitors and fans in danger in the event they all suddenly rushed out or into the stadium or if they were thrown into great confusion.

In its recommendations, BAI told the director of *Daegu* Metropolitan City Construction Headquarters to examine the structural designs of the statues to check their safety and find a way to reinforce members whose actual stress exceeded the allowable stress, and to add buttress to increase the lateral strength of the fence and take other measures to ensure its safety.

Right after the audit, the *Daegu* Metropolitan City Construction Headquarters immediately took steps to resolve the aforementioned problems in its efforts to follow BAI's recommendations.

[Appendix 3]

The Audit on Status of Water Quality Management around Four Rivers

In drawing out a water resource management plan for the *Han* River, the Ministry of Environment (MOE) used inaccurate past statistical data concerning population, livestock industry and others as reference for the water quality goal of a target year (2005). In case of *Paldang* Lake, according to the modeling of the plan, the water quality should improve to become level I (BOD 1.0mg/ℓ) by 2005. However, a more accurate modeling (River-QUAL2E, Lake-WASP5) showed that the water quality of the lake would still stand at level II (BOD 1.13mg/ℓ). Owing to this poor forecast, the target for water quality will be hard to achieve even if everything goes well.

Much improvement in water quality could not be expected as the water resource management plan for the *Kum* River allotted too little drainage line maintenance investment whose purpose was to reduce the leakage rate of the underground drainage lines.

In establishing a water resource management plan for the *Nakdong* River, MOE, for the major stream IV of the river, projected the required capacity of sewage treatment plants to be 6 times the sewage discharges of one day. This is an example of over-planning.

In planning for the *Young-San* River water resource management, MOE allocated bigger investments to the lower reaches of the river than the *Juam* Lake area, the largest drinking water source in the river with the largest demand for such investments, and worked out plans for the construction of town sewage treatment plants or water purification investment without selecting target towns or streams. This flawed planning, together with others, caused great concerns about problems in improving the water quality according to the plan.

In its recommendations, BAI told MOE to thoroughly study the Water Resource Management Plans for Four Major Rivers, especially the *Han* River water resource forecast modeling, a plan for underground drainage line maintenance, sewage volume and sewage treatment facility construction plans to correct their problems and mistakes for new implementation.

[Appendix 4]

The Audit on Non-contributory Old-age Pension Program

The Ministry of Health and Welfare (MOHW) in 1998 introduced the *Non-contributory Old-age Pension Program* (i.e. to be paid as "*respect-for-the-aged pension*") for the aged who are in the low-income brackets and excluded from the national pension scheme.

In 2002, according to the Old-aged Welfare Act, MOHW paid 35,000 won per month to each of the aged who were born before July 1st, 1933 and had lower income and assets than each of their standards (e.g. *income standard* in case of 4 family member: under 1,944,000 won per month; *assets standard*: under 50,400,000 won).

The purpose of this program is to support the aged with lower income and assets and to promote the spirit of respect for them. Therefore it is desirable to select the qualified aged on the bases of income and assets of the aged themselves and essential supporting obligators like their sons and daughters.

However MOHW set up a policy to select the qualified aged under a certain level of the amount to sum up income and assets of the aged themselves and all supporting obligators. Pursuant to the policy, social welfare workers should select the qualified aged after examining all of the income and assets of their spouses, family members in a direct line and their spouses, brothers and sisters living together with the aged.

Through auditing 32 cities or counties in 2002, BAI found the fact that excessive investigations into all supporting obligators induced the aged to be displeased with the program and imposed a heavy burden on social welfare workers. Therefore social welfare workers did not actively perform their duties. As a result, in case of 2002, 40,200 million won of total 246,000 million won or 16.3% of budget for this program could not be used.

For example, in case of Mr. Kwak aged 74 years, one of the districts in Seoul investigated not only his own income and assets but also income and assets of 22

supporting obligators like his spouse, sons, daughters, grandsons and granddaughters to decide the eligibility of his old-aged pension benefits.

Accordingly, BAI recommended that the minister of MHW draw up a plan to ease the criterion of selecting the qualified aged by considering only the income and assets of essential supporting obligators like their sons and daughters.

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