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Too Big to Be Accountable?

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Abstract

The rising importance of International Organizations has increased the pressure to hold these actors accountable. Although the literature on management reforms and the accountability of Interational Organizations is steadly developing, scholars of public organizations have yet to consider the transformation of audit systems in International Organizations that has occurred since the mid-1990s. This paper addresses the question to what extend demands of more accountability have translated into reforming the audit systems of International Organizations. Through a comparative case study, this paper adds to the existing body of literature by providing an analysis of audit's architecture reforms in six International Organization over the course of the past twenty years.

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The New World of Auditing in International Organizations

Introduction

The rising importance of international organizations (IOs) has increased the pressure to hold these organizations accountable (Caporaso and Madeira 2012; Keohane and Nye 2003; Rittberger and Zangl 2006).[1] Although the body of knowledge on management reforms (Pollitt and Bouckaert, 2011) and the accountability of IOs (Buchanan and Keohane 2006; Koenig-Archibugi 2010) is steadily developing, students of public organizations have yet to consider the sweeping and far-reaching transformation of audit systems in IOs that has occurred since the mid-1990s. This paper addresses the question to what extend demands of more accountability have translated into reforming the audit systems of International Organizations. Given the importance of IOs to the economy and society, it seems surprising that so little is known about the evolution of their audit systems, causes for reforms and potential consequences. The best-known theoretical approach to audit reforms is provided by Michel Power, who suggested the idea of an "audit explosion" and then of an "audit society". Power draws his insights from cases situated at the national level without explicitly considering IOs as both subject and object of audit reforms (Power 1997). It therefore makes sense to consider Power's hypotheses a starting point for the analysis of audit reforms in IOs. The present research helps to fill this gap highlighting some of those most striking traits, discussing potential explanatory factors, and extracting questions for further necessary investigations into the machine room of holding International Organizations accountable.

Our research adds to the existing body of literature (e.g. Grigorescu 2008, 2010; Park 2010; Weaver, 2010) by providing a comparative analysis of internal audit reforms in six International Organization over the course of the past twenty years. In this research we used a comparative case

study design with multiple case studies (six IOs: the United Nations (UN), the World Bank (WB), the International Monetary Fund (IMF), the World Trade Organization (WTO), the Council of Europe (CoE), and the OECD to investigate the extent to which audit systems have been transformed since the beginning of the 1990s. By investigating the charateristic traits of the transformation from what we call *classic auditing*- to *modern* audit systems within IOs, this article sheds light on a fundamentally changing method of holding these organizations accountable.

The idea to develop a deeper understanding of the character of these changes and their potential consequences for IOs is confronted against the backdrop of the debate of an increasing "audit society" or "audit explosion" (Power 1997) at the end of the 1990s that sparked considerable interest in the reform of audit systems in OECD countries (cf. Barzelay 1996; Pollitt 2003; Pollitt, Lonsdale and Girre 1999) and led to debates on the consequences of performance auditing in public organizations. Obviously, studies so far have overwhelmingly focused on reforms at the national level, whereas those in municipalities (cf. ------- and -------, 2012) and IOs have yet to be explored in greater depth.

While auditing traditionally refers to the verification by an independent body, it is fundamental to hold actors entrusted with public power accountable by providing information to superiors, elected officials, or other specified actors (cf. Barzelay 1996; -------- 2011). Audit has traditionally been associated with financial oversight and compliance; however, the sweeping transformation of audit systems, this article argues, has lead to *modern audit systems* with complex webs of multiple actors that encompass "traditional" auditing but today includes additional practices and functions such as evaluations, inspections, investigations, anti-corruption screenings, or financial risk management in order to prevent abuses of power and better control (Lindeberg 2007).[2] The spread of audit practices in terms of functions, actors, and available financial resources marks a fundamental shift from the way IOs have been traditionally controlled (Grigorescu 2008, 2010; Park 2010). The consequence is that auditing has become a powerful and fundamental resource in managing IOs. However, it raises

doubts, just as in national administrative systems, about whether these high expectations will be met and how to run those complex audit systems themselves (Power 1997).

We first give an overview of the literature on the IOs and their accountability and on audit reforms, then describe explanatory variables in the context in which IOs operate and then identify two principle models of auditing able to sum up the changes that have been taken place in the selected cases.

IOs and Accountability

In the last two decades, IOs have gained political and economic importance leading to numerous studies of their role in global politics (cf. Hoffmann 1970; Karns and Mingst 2008; Katzenstein, Keohane, and Krasner 1998; Keohane and Nye 1974). Their power to influence national issues and their financial resources make them fundamental players in global as well as national politics (King and Narlikar 2003). As the number of IOs has increased, so too has the span of their competences and tasks (Woods and Narlikar, 2001). In addition to the traditional functions of IOs, they are often involved in complex, multilateral, and enduring issues, where cooperation and communication is required among different actors (Keohane and Nye 1974, 54). An increasing number of tasks and functions have been delegated to IOs since World War II. The increasing awareness of international interdependence and transnational problems in the areas of trade, security, environment, and poverty, has propelled the creation of transnational institutions at the global level (Held 2005; Kahler 2004). One major consequence has been the creation of large bureaucratic organizations with complex internal governance systems and decision procedures often struggling to find an equilibrium between the necessity of representing national interests and efficient and effective decision-making processes necessary to manage such big organizations (Nay 2011; Slaughter 2004). As a consequence, the accountability of IOs has received much attention over the past two

decades, especially in the field of international relations and global governance (cf. Buchanan and Keohane 2006: 426; Caporaso and Madeira 2012; Habegger 2010; Keohane and Nye 2003). The main focus has been more on general questions of democratic accountability, participation of citizens and nongovernmental organizations (NGOs), and parliamentary control. However, Woods and Narlikar argue that the accountability of IOs deserves deeper analysis because such organizations have become more intrusive and influential in citizens' lives and therefore they are "facing a wider range of stakeholders claiming a right to hold the institutions to account" (2001, 569). Traditional accountability mechanisms do not seem to work properly for IOs for several reasons. *First*, IOs often have a peculiar governance structure in which there are multiple principals with potentially conflicting aims and different power resources (Kapur and Naím 2005). Critics argue that there is a bias toward those countries with the largest power resources, the so-called Western Nations (Kahler 2004). As a consequence, IOs may find themselves more accountable to those countries better positioned in the governance structure (Burall and Neligan 2005). Equality in representation is sometimes more an ideal than a fact (Held 2005).[3] *Second*, and most importantly, Woods and Narlikar (2001) note that the connection to the citizens affected by the decisions of IOs is indirect, since accountability is mediated by other layers of government. This is one reason why students of IOs argue that different standards of accountability must be applied (Kahler 2004). Finally, IOs often have control over information which is rarely at the disposal of the member states; this limits proper accountability (Kahler 2004).

From this perspective, the legitimacy of IOs is threatened, since it is not supported by a direct accountability connection and the influence of the affected collectivities is weakened by the length of the chain between them and the IOs top management. Coicaud suggests that the legitimacy of IOs has some parodoxical peculiarities: although legitimacy is derived from nation states because they create IOs, at the same time, the legitimacy of IOs depends on their capacity to overcome the

egos and the egoisms of nation states to reach multilateral agreements (Coicaud 2001; Keohane and Nye 1974).

Similar concerns have been raised about the most relevant IOs, for example, the IMF (Torres 2007; van Houtven 2002), the UN (Balint, Schernbeck and Schneider 2009; Mathiason 1987, 1997, 2004), and the WTO (Cottier 2007; Steger 2007). The diffuse conclusion of most studies considered here is that IOs should be reformed to align their governance structures to provide more equal representation of the neglected countries, to engage NGOs and other affeted parties, and to improve organizational performance.

These more general concerns over the accountability of IOs question the potential driving forces that underlie current accountability reforms in general and the transformation of audit systems in particular. In particular, the institutionalized mechanisms and processes by which IOs are monitored are open to investigation (Gregorescu 2008, 2010; Park 2010).

Explaining Audit Reforms

Very prominently in the Nineties of the previous century, Michael Power offered a number of widely-discussed observations about the characteristics, reasons, and consequences of audit reforms in modern society (Power, 1997, 2000, 2003). The "audit society", as characterized by Power, is characterized by a quantitative growth in auditing and evaluation practices in the backwaters of management reform (Hood et al, 1998) and also by a qualitative transformation towards so-called value-for-money audits and other evaluation, inspection, and control systems (Power, 1997). Since performance is a very broad term, performance auditing has been defined in very different ways, grouping together audits of the "3 E's" (efficiency, economy, effectiveness), program evaluations, and even risk assessment (Barzelay 1996). These controls are not substitutes for traditional financial and compliance auditing but rather supplement them, extending audit mandates for existing auditing

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bodies and sometimes requiring new actors with specific competencies to carry out the newly added tasks as Power suggests.

Moving from the consideration of a quantitative increase of auditing in society, he depicted a neurotic "audit society", obsessed with oversight, inspection, and control in which there is a clear decoupling between the promises of audit and reality. This approach has been widely discussed and criticized in the literature (Power, 1997, 2000; Bowerman et al, 2003, Humphrey and Owen, 2000). Despite criticism, Power`s approach allows us to zoom closer into the potential causes and features of the so-called audit explosion (Power, 2000; ---------- and ------, 2012). Power considers both contextual and organizational factors - classified in descriptive and explanatory (---------- and ------, 2012) – to be relevant in drawing a more differentiated picture of these changes. In the following paragraphs we will take a closer look at those factors in order to help us understand as to why they can be useful in understanding the current audit reforms in International Organizations.

The first explanatory factor of the audit explosion is the doctrine of New Public Management (NPM). Whereas auditing was traditionally a means of financial control for specialists, the New Public Management hype of the 1990s, with its idea of creating more efficient and effective public organizations, has triggered an interest in indicators of economic success, their measurement, and assessment (Hood 1995). The sirens of the New Public Management reform doctrine affected as much IOs and their audit systems as it influenced domestic systems of public administration (Bauer Knill 2007; Nay 2011). This normative turn at the beginning of the 1990s towards new management ideas with its value-for-money doctrine provided an ideological ground for increasing the amount of audit services and empowering the auditors as the only experts able to safeguard scarce financial resources and in making these organizations, that were seen by many as highly inefficient and wasteful, to become a more cost-sensitive and effective player (Leeuw, 1996).

Second, within Power's framework, audit explosion has also been explained by an increasing offer of auditing and scrutiny services created by the same organizations in charge of conducting them

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(Power, 2000). Professional auditing and accounting firms successfully for different and more audit services, thereby encouraging the use of those practices. (Power, 2003). Auditors themselves were promoted to increase their own influence within the organization itself. Auditors today occupy highly ranked positions in public sector organisations, they have more staff and financial resources than before. This was hardly the case before as they often had supporting functions but usually did not belong to the organization`s leadership structure. This new role as guardians of efficiency certainly helped in pushing new audit themes, such as evaluations, integrity analysis, anti-corruption audits, on the agenda. Auditors themselves have been advocating the idea of more refined audit techniques and stronger role of their activities within the organization.

Such pressures and the introduction of new and more refined techniques of auditing in the 1990s and 2000s meant for private as well as for public organisations also a strategy to regain legitimacy (Power, 1997, 7).

The third explanatory argument in favor for a rising "Audit Society" is the emergence of a strong request for more accountability citizens and political parties (Power, 2000). As a matter of fact, the increase in discretionary powers provided by the managerial reforms tends to hinder public scrutiny (Pallot, 2003). Citizens and taxpayers, many of them highly critical of the work of public sector organizations at all levels, supported this new "partner" in increasing efficiency, safeguarding funds, and cutting activities. These "new" efficiency and accountability expectations on the one hand and the increasing influence of auditors within the organizations themselves must be seen as having reinforced the momentum to change the audit system (Power, 2000). This informal coalition of influential actors inside and outside these organization enforced and institutionalized this new form of auditing.

METHOD

This analysis is based both on examining internal documents (e.g. management manuals, handbooks, resolutions, audit reports, commission reports, and policy documents) of six IOs – the UN, WB, IMF, WTO, CoE, and OECD – and several rounds of reviews with audit experts from different IOs to increase the internal validity of our findings. This triangulation strategy was complemented by a number of background interviews with a number of diplomatic staff from the member state´s mission to the Council of Europe, auditors who have or had been working for International Organizations and with a broad experience in auditing International Organizations, as well as regular staff from the Council of Europe in 2010 and 2011. All agreed to these interviews on the basis of anonymity. The persons interviewed were not selected on the basis of statistical representation but as for their informed judgment to test and counter check the conclusions we drew from examining official papers. For this reason we do not use any direct quotations. Most of them come from the Council of Europe but all of them have either direct working experience in one or the other organizations (NATO, UN, OECD etc.) analyzed here or are involved in professional networks bringing together auditors from International Organizations. This, we assume, allows them to draw more general conclusions about developments. The organizations we analyzed were selected for a number of reasons: not only do they represent the largest and most publicly visible IOs, they also operate in different fields of activities, ranging from financial monetary institutions (WB, IMF), human rights standard setting (CoE, UN), development, and aid relief (UN) to the tackling of social, economic, and political challenges (OECD, WTO). Additionally, three of them can be considered active in policy implementation (WB, IMF, UN), while the OECD and CoE are more concerned with policy formulation and standardization and the WTO with commercial conflicts settlements.

EXPLAINING AUDIT REFORMS IN IOS

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The present paragraph aims at understanding wheter explanatory factors used by Power to explain the audit society are present at IOs level during the period of analysis. Considering the three factors (NPM, public request of accountability and increase of audit supply) against the empirical evidence reviewed in this context, we suggest that there is good reason to argue that two of the three factors identified in Michael Power`s work are present, while the third – supply side – is only present in a limited or mediated form. Besides a grand emphasis of the role of private accounting firms pushing for more audit on the national level, the avalaible information do not confirm a direct or visible role on the international level yet. Against this background, we find sufficient evidence to suggest that an informal coalition – citizens argument – of citizens, NGOs, and politicians, most notably in North America, pushed the demand for more accountability onto the agenda. Corruption scandals, street protests, regulatory enforcement, and financial pressure by the U.S. Congress created an opportunity structure for the new reform ideas – New Public Management argument – to unfold. A closer look at the role of this informal coalition reveals this coming together of a very hetereogeneous set of factors.

During the last two decades, IOs faced pressure from their own governments and economic experts. The NPM doctrine was indeed suggesting a more sober use of resources and the necessity to improve the value for money of activities (Hood, 1995). Public sector organization funded with citizens'money need to plan, accrue and achieve higher levels of performance (Hood, 1995).

Such ideas were widely permeating national governments, and despite leading to different degrees of implementations, at least in the rethoric they were undisputed and widely supported. So they were applied also at IOs level due to the fact that many of the most influencial countries in IOs were the leaders of the NPM's movement.

In 2000, the Meltzer Commission, officially called *The International Financial Institution Advisory Commission*, which was established by the United States Congress in November 1998 and supposed to draft recommendations for future policy towards the World Bank, IMF, and a number of regional

institutions, commented on the effectiveness of the World Bank in the following way: "[t]here is a wide gap between the Banks' rhetoric and promises and their performance and achievements" (Meltzer 2000, 10). The main questions was whether those institutions that were established at Bretton Woods in 1944 were by the turn of the century still well-equipped and capable to meet the challenges globalized financial markets of the 21st century. This critique was especially severe and could not be ignored as it came from the U.S. Congress of the most influential member state. The United States, and the U.S. Congress in particular, made their contributions to the International Development Association, part of the World Bank Group, conditional upon the establishment of an independent inspection panel to improve the oversight of funds (cf. Caporaso and Madeira 2012, 122-124; Grigorescu 2008 2010; Park 2010).

The "Sarbanes–Oxley Act of 2002",[4] introduced by the US Congress in response to a number of accounting scandals in US companies, e.g. Enron and WorldCom, emphasized the need for audit reforms, provided a template for also reviewing procedures and organizational structures of IOs, and defined the direction of necessary measures. Apart from reforming the lending mechanisms, which was especially propagated by the Commission led by Alan Meltzer, basic recommendations centered around organizational measures to improve integrity and accountability: these included establishing an audit committee, safeguarding the auditor's independence, and, amongst others, defining transparent and professional audit standards. Besides external pressures, internal demands pushed the establishment of additional accountability mechanisms. However, internal discussion had started much earlier. In November 1992 Willi Wapenhans, then Vice-President of the World Bank, presented a report, which caused concern among Bank's boards of directors. Wapenhans and his team reviewed 1.800 Bank projects in 113 countries and noted that 37.5 percent of all projects were considered failures by the Bank's own staff, which was up from 15 percent in 1981. As it outlined and described the poor management of many bank projects and the waste of resources it sent shock-waves through this organization and laid the foundation for additional audit procedures

after reviewing the financial practices of the Bank.[5] Following this report, Executive Directors of the World Bank took action in September 1993 and established the New Inspection Panel in order to address the Bank's failure to follow its own rules.

Beside, the 1990s witnessed the rise of an informal coalition between governments, nongovernmental actors, protestors, and intellectuals who pushed accountability onto the agenda of IOs (Meltzer 2000; Park 2010). It is easy to describe actors that pursue similar goals as a coalition. However, those who pushed for holding public sector organisations (as well as major IOs) accountable were not formally coordinated and organised, but rather a hetereogeneous set of actors from different countries, from within and outside government organizations, from academia and civil society, that shared a very vague idea of accountability at the same time. The range of ideas about accountability organisations ranged from abolishing them, as in the case of rioters of the anti-globalization movement, to accountability as improving the lending mechanisms, or the establishment of specific institutions of auditing. With the 1999 protest activities surrounding the WTO Ministerial Conference in Seattle and the violent clashes between protesters and law-enforcement officers accompanying those trade negotiations, the so-called anti-globalization movement received global media coverage and world-wide attention for its criticism of globalization, capitalism, and the role of the Bretton Woods institutions. The World Bank and the International Monetary Fund became synonymous for all the bad developments associated with the free market and capitalism. A decade after the victorious defeat of Communism and the end of the Cold War, the global financial actors faced severe criticism for their role in the global financial system, their failure to support the poor, corruption and mismanagement, and for not being sufficiently hold accountable by their members states. Although this protest camp did neither feature a coherent set of goals nor a clear organizational structure, it pushed critical questions about the role of IOs on the agenda of policy makers. This movement was hard to ignore as it did not only feature violent protesters, who could be easily dismissed, but was carried and supported by

renowned university professors, journalists, members of the Catholic Church, Nongovernmental Organizations as well as even former staff of those organizations, such as the former chief economists of the World Bank, Joseph E. Stiglitz, from both developed and underdeveloped countries for the way globalization was being managed. A very powerful propellent for protests revealed to be the multiple scandals involving IOs.

The wider public became aware of corruption, fraud, and mismanagement in the 1990s, when reports about integrity breaches surfaced in the press. The best-known episode is probably the corruption in the UN's "Oil-for-Food Programme" (1995–2003). Described by a US senator as "the biggest financial scandal ever", the programme was originally aimed at reducing the impact of the economic sanctions imposed on Iraq through the supervised selling of oil by the United Nations. Such supervision proved weak; Saddam Hussein, the Iraqi dictator, and his cronies were accussed of having received 1.8 billion dollars of illegal payments from more than 2,000 of the 4,500 companies involved in the programme. According to a report by Paul Volcker, head of the Independent Inquiry Committee into the UN's Oil-for-Food Programme:[6] "the Iraqi regime ultimately derived $228.8 million of illicit income from the payment of surcharges in connection with oil contracts under the Programme" (p. 2) and "Iraq derived more than $1.5 billion in income from kickbacks in humanitarian goods transactions" (p. 4). The failure to install sufficient audit mechanisms to safeguard the allocation of resources was identified as a major factor in allowing this to happen. The Volcker Commission stated that "the United Nations' observation mechanism suffered critical management failures that reduced the effectiveness of its monitoring capabilities" (p. 301).

The World Bank, as well, was widely criticized for its lending activities to some of the cruelest dictators in Africa and Asia during the 1960s and '70s. More recently, huge sums have been lent to the Ethiopian Marxist regime of Mengistu Haile Mariam, who was found guilty of genocide in Ethiopia during the '80s.[7] Similarly, the IMF was criticized for having supported South American

military dictators, such as Humberto de Alencar Castello Branco in 1960. In July 2003, an official working for the UN World Meteorological Organization was caught stealing the organization's funds for private purposes. Through the subsequent investigation, it emerged that he had been stealing money for years and that several other agency officials had been negligent.[8] In 2005, the World Intellectual Property Organization faced allegations of mismanagement and fraud related to a number of contracts for building restructuring works. Ernst & Young, an international audit and accounting consultancy firm, was appointed to run the inquiry; it could not find proof of misconduct but highlighted severe shortcomings in existing procedures and made a number of recommendations that pointed towards reforming the audit system.[9] In all these cases, the audit system was identified as the "Achilles heel" allowing or even facilitating corruption and fraud (Grigorescu 2008). Such systems have been identified or blamed to be unable to detect and curb corruption and misbehavior. The concern about lacking or inefficient mechanisms to hold IOs accountable as well as reports about non-compliance of staff with internal rules and regulations spurred the discussion about reforming the audit system (Burall and Neligan 2005; Mathiason 2004).

Moreover, our analysis shows that later in the reform process, private accounting firms do take a role in auditing only the World Bank and the IMF while in the other cases such role has been kept by the Supreme Audit Institutions (SAI henceforth) of member states. On the other hand, the involvement of SAI in the bodies in charge of audit services within IOs has increased and the positions of such bodies in the organisational chart have often placed closer to the top, signalling an expanding importance of SAI among the constituencies of IOs. Finally, the cases analysed revealed an increased use of audit standards produced by international organisations (i.e. COSO framework) but it is quite difficult to demonstrate that the same standard setter organisations had the capacity and the political strength to impose their standards to broaden their own market, especialy because, as mentioned, audit services are in most cases still carried out by SAI.

DESCRIBING AUDIT REFORMS IN IOS: PRINCIPLES OF AUDITING

Once that contextual variables seem consistent with Power's theorization, organizational effects on audit architecture should be investigated looking for commonalities, trends (if any) and significant derailing from the theory. For such purposes the aim of the present paragraph is to extract, illustrate, and distinguish between two principle types of auditing (Weber 1904/1994) – *classic auditing* and *modern auditing* – which have characterized the way those selected IOs were monitored at a certain point in time. This allows us to highlight some of the more general features of what we call *modern audit model* and to start to offer possible explanations of its adoption that can be observed in all cases under investigation. We understand the term *modern* not in a normative sense but in the sense of being a new phenomenon that did not exist in this quality and quantity in previous times.

It can be clearly shown that all cases under investigation started their transformation in the 1990s or later from the *classic* way of doing audits towards a more complex and dynamic audit system that consists of different types of auditors, encompasses functions such as evaluations, inspections as well as traditional audits, plays an increasingly political role in IOs, and has in itself become more relevant in terms of human and financial resources within these organizations. Each singular case may show in detail that the process itself toward this new way of auditing may have required different steps and amount of time, but the outcome of the process is interestingly similar.

Classic Audit Model

The classic audit system is characterized by a small number of bodies (one or two) responsible for all auditing services. When only one body is operating, it is normally an external auditor, often a Supreme Audit Institution of one of the member states. Sometimes it is complemented by a financial comptroller. A rotation mechanism is in place, so the external auditor changes every few years. The auditor may rarely take the form of a board. In the *classic audit model*, the focus of the audit is traditionally narrow, being limited to compliance with internal regulations and statute and

financial audits in order to avoid misuse of funds and unfaithful representations in the accounts. Standards adopted may rely on the IO's internal financial regulations, but in some cases internal auditors opt for internationally recognized standards. Also the amount of resources for audit services is scarce as well as available staff and the power of the audit bodies to enforce their decisions[10].

In most of the investigated cases it can be observed that a proper internal audit function is established. As a consequence, in some IOs the *Classic Audit Model* is being characterized by two audit bodies, one internal and one external. In such cases, the internal audit function' responsibilities may (or may not) be coordinated with the services provided by the external auditor. The internal auditor reports both to the Secretary General or Chief Executive Officer as well as to the governance body, e.g. Council of Ministers, whereas the external auditor files its reports directly and only to the governance body, which includes representatives of the member countries.

- The UN[11] adopted the *classic audit model* in the '50s, a few years after its establishment: the UN was at that time audited by just two bodies (the Panel of External Auditors[12] and Board of Auditors[13]), whose main tasks were compliance and financial auditing[14].
- The IMF[15] started its operations with a very limited architecture of audit (Clark and Chelsky 2006). Only an external audit was compulsory in the first version of the bylaw (1946) and therefore only annual financial statements were controlled.
- The CoE[16] undergone significant changes in its audit structure since 2001.[17] Before, which means for more than 50 years, audit architecture consisted of an internal financial comptroller and an external auditor. The financial controller was mainly responsible for questions of financial compliance and probity.
- The OECD[18] had instead a rather different story. Until 2003 it had not an internal audit service. So all the audit was carried out by an External Auditor focusing on financial statements only.
- The WTO[19] has always had a classic audit structure. Being quite a recent IOs, it started in 1995 with only an external auditor.

- At the WB[20], a relatively stable audit system was established in 1970 consisting of an internal audit office, an external auditor, and an evaluation office. During this period, auditing was concerned mainly with its classic functions, compliance and financial audits.

Modern Audit Model

All IOs analyzed have experienced an increase in audit services along time. They actually apply a *modern audit* system. This model is characterized by more than one audit body in charge of the external and internal audits. While in the classic model the national Supreme Audit Institutions were in charge of the external audit, *modern audit* systems feature private accounting or auditing companies as external auditors (e.g. IMF, WB), sometimes even complementing the service of another external auditor. The number of internal oversight bodies increases as well and also their importance in the organizational chart being often put in close relation with (sometimes even within) the governing bodies. The *modern audit* model is also characterized by the upsurge of additional services, e.g. evaluation, investigations, and inspection. As a consequence, the coordination of all these intervening oversight bodies becomes a relevant issue. Sometimes services can be coordinated by an internal commission, often belonging to the executive body that is responsible for overseeing other internal and external audit services (OECD). In other IOs, explicit coordination is missing (WTO). Recent years have shown that Audit Committees can take over this coordination function by overseeing the performance as well as the independence of internal and external audit services. This coordination can, depending on the definition of functions, both be a threat to the independence of internal and external bodies and help to reduce overlapping tasks and conflicts. It is worth noting that in *modern audit* systems the same bodies may carry out different audit services, including compliance audits, performance audits, evaluations, inspections, and anticorruption activities, or specific bodies may be charged with specific activities. From this perspective, the difference between the *modern audit* system and the *classic audit* one is largely

characterized by a greater variety of audits, among them, activities specifically designed to address ethical breaches such as corruption, risk analysis, forensic audits, performance, and inspection (IMF, WB). In some other cases, ethical issues are included in other procedures (UN). It is interesting to note that while different bodies are often in charge of a plurality of tasks, sometimes bodies are created for the execution of specific tasks, e.g. forensic audits. This means an increase in the total amount of auditing carried out, and also the possibility of overlapping competences and activities. The recipients of the audit reports are the main organs of the organization, so that the executive body, the secretariat, if present, and the general assembly can receive internal and external audits from different auditors, sometimes even using different standards of reporting and auditing (UN). Audit standards are not always coherent: while internal auditors mainly rely on international standards of internal auditing (WTO, OECD), external auditors often rely on standards produced by the audited IO (UN). Similarly, inspections are conducted according to internally produced manuals (UN). Such increase in audit services implied also an increase in the budgets of the audit bodies as shown in the Table 1.

[table 1 around here]

- The UN, despite the six bodies at present involved with clearly intertwined and overlapping competences in audit, reached the *modern audit* model in several years. During the '60s the UN added the Joint Inspection Unit (JIU) to the already existing bodies.[21] No further bodies were added until 1994 when the Office of Internal Oversight Services (OIOS)[22] was formed; it comprises the Inspection and Evaluation Division (IED)[23], the Investigations Division[24], and the Internal Audit Division.[25] In 2005, the Independent Audit Advisory Committee (IAAC)[26] was established. The audit services currently carried out cover all kind of controls and they include performance and compliance audits, as well as inspections and risk management. It is therefore evident that in time the number and the breadth of audits have

greatly increased. There are currently multiple internal auditors and also external bodies using many different standards.[27] Bodies are usually composed of a number of members from different countries. None of the bodies mentioned has a particular mandate for fighting corruption, although special attention is given to such issues in UN programs. Interestingly, while inspection reports are addressed to both the Secretariat and the General Assembly, external audit results are mainly delivered to the General Assembly while the internal audit ones are addressed to the Secretariat.

- The IMF faced a process of increasing the number of auditing bodies. In the 1990s, it started to use performance audit and evaluation, initially appointing external experts and then creating the Internal Evaluation Office (IEO) in 2001 (Weaver, 2010): therefore internalizing competences while maintaining the independence of the body. The IMF's internal audit function is assigned to the Office of Internal Audit and Inspection (OIA), which independently examines the effectiveness of the Fund's risk management, control, and governance processes. In April 2011, its mandate was extended to cover IEO activities. Separate from its internal audit function, the OIA also serves as Secretariat to the Advisory Committee on Risk Management. In this capacity, the OIA coordinates the production of an annual risk management report to the Board. In accordance with Section 20(b) of the By-Laws Rules and Regulation of the IMF, the External Audit Committee (EAC) has three members, selected by the Executive Board and appointed by the Managing Director. The EAC oversees the annual audit. Members, who serve 3-year terms on a staggered basis and are independent of the Fund, are nationals of different member countries and must possess the expertise and qualifications required to oversee the annual audit. The external audit firm, which is selected by the Executive Board in consultation with the EAC and appointed by the Managing Director, is responsible for conducting the IMF's annual external audit and expressing an opinion on its financial statements, accounts administered under Article V, Section 2(b), and the Staff Retirement Plan. The IMF therefore has multiple bodies auditing and controlling its activities. However, the standards adopted are different and central coordination of the bodies is absent. An evaluation of the results achieved by other audit bodies has been performed. In 2005, the Executive Body started an evaluation of the IEO to assess its effectiveness and to consider possible improvements to its structure, mandate, operational modalities, and terms of reference. In 2000, the IMF established the Ethics Office to provide ethics advice and which reports directly to the Managing Director. In addition to its advisory and education mandate, the Ethics Office also has investigative

powers. It conducts confidential internal investigations into allegations of unethical behavior and/or misconduct, and in 2008 set up a 24-hour Integrity Hotline to facilitate this.

- At the CoE, the most significant changes occurred with the creation of an Internal Auditor, on January 1, 2001, who implemented a number of additional amendments to the financial management and audit system.[28] The new internal auditor took responsibility for improving the management, governance, and accountability of the entire organization.[29] In addition, the Council of Ministers, as the governing body of the CoE, decided to change the arrangement for the external auditor. The Board of Auditors, which originally comprised three experts, was replaced by a single External Auditor, from a Supreme Audit Institution of one of the member states. The third new actor was created in April 2008: an Audit Committee was established as an overarching body with an "appraisal and consultative function".[30] This body meets two or three times per year, reports directly to the Council of Ministers, and advises the Secretary General on questions of internal and external control. As an independent body, it safeguards the independent functioning of the Internal Auditor.[31] In the meantime, the tasks and functions of the Internal Auditor have grown. The prevention of fraud and corruption and the assessment of risks within the organization, as well as the evaluation of program results and policies have become the main pillars of this body. This fusion of audit and evaluation functions led to the establishment of the Directorate of Internal Oversight in March 2010, embracing these different responsibilities.

- Audit services in OECD are still carried out by the OECD Internal Audit and the External Auditor. Moreover, there are nowadays also two Committees within the Council, operating in the same field: the Audit Committee and the Evaluation Committee. As mentioned, the Internal Audit office began conducting compliance and performance audits in 2003 and by 2006 was also performing evaluations to reduce risks. So, the case show a limited increase in the number of bodies but an enlargement of their duties. The OECD has recently adopted the Professional Practice of Internal Audit of the Institute of Internal Auditors (IIA).[32] The OECD has adopted an Internal Control Framework, which is based on the Committee of Sponsoring Organizations (COSO) integrated framework. COSO provides generally accepted definition of internal controls and comprehensive frameworks in different fields as risk management and internal controls.[33] Internal control comprises policies and procedures implemented by, and under the responsibility of, management and is designed to mitigate risks. In 2011, the internal audit became responsible for carrying out in-depth evaluations. The Internal Audit now has two tasks: internal auditing and evaluation.[34] Similarly, the external auditor, represented by the Supreme Audit Institution of a member country, is in

charge of performance and compliance audits. An Audit Committee was established in 2008, composed of nine members from different countries, often belonging to national Supreme Audit Institutions.[35] The main task of the Audit Committee is "to monitor the independence and effectiveness of the internal and external audit functions and review the financial situation of the Organisation. It shall report to Council on a regular basis."[36] Similarly there is an Evaluation Committee established in 2005 with six members from different countries.[37] The Committee has the task of conducting evaluations to "assess whether Committees are conducting processes, delivering outputs and achieving impacts that are in line with Members policy expectations and priorities and with the comparative advantage of the OECD".[38]

- The WTO's audit structure is at present quite simple, consisting of just one internal and one external auditor. Therefore, it may seem that the shift toward a *modern audit* system has not taken place. Nevertheless, it is worth noting that the establishment of the WTO is very recent, and that the internal audit body was not established until 2008. Both the internal and external auditors have now compliance and performance audit responsibilities. The internal audit is carried out by a division of the Secretariat, while the external auditor is a Supreme Audit Institution of one of the member countries. They both use generally accepted audit standards. The internal audit body's tasks include taking care of the ethical climate inside the organization, which means preventing corruption and fraud. The external auditor has a vaguer mandate, since the existing regulation allows the General Council, the main operating body, to ask him/her to perform specific examinations. There is no specific body in charge of detecting corruption and similar episodes.

- Even the WB faced a progressive increase in the audit services to be carried out. The Wapenhans Report[39] added the idea of an Inspection Panel[40] that would operate independently of the organizational structure and create awareness of the concerns of the people affected by WB projects (Park 2010). Reporting directly to the Board of Executive Directors, which is the extended arm of the member states, the Inspection Panel independently investigates Bank-financed projects in response to demands from affected people. Since then, new units with additional audit functions, e.g. forensic audits, value-for-money audits, and risk assessments,[41] have mushroomed in terms of financial and human resources,[42] and gained more weight within the hierarchy of the organization. In 1997, the Internal Audit Department (IAD) established a small investigation unit (the Internal Auditing Department Investigations Unit (IADIU) in order to be able to handle growing allegations of fraud and corruption. Concomitantly, the IAD developed further risk

assessment capacities with the purpose of linking risk evaluation techniques with audit plans.[43] This was the first step in creating an entire Department of Institutional Integrity with its director serving as Vice-President of the Bank and with functions that include forensic auditing as well as special investigations of fraud, corruption, and staff misconduct. In its 2007 report, the commission under the former chairman of the US Federal Reserve Bank, Paul Volcker, stressed the necessity of installing an Independent Advisory Board,[44] which not only protects the independence of the Department of Institutional Integrity but also oversees the accountability of this unit. The service of the external auditor, who is responsible for the integrity of the financial statements of the Bank, has been, unlike other external auditors of IOs, contracted-out to a private accounting company. Since 1994, the Audit Committee[45] has reported to the Board of Directors and oversees the functioning of the internal auditor, and the functioning and appointment of the external auditor, as well as the Vice-Presidency, with regard to the effectiveness of anti-fraud and anti-corruption measures. During the same period, the Auditor General, who heads the IAD,[46] and the chairman of the Department of Institutional Integrity were promoted to Vice-Presidents. The World Bank Group is also audited by the Independent Evaluation Group, whose mandate is to carry out independent and objective evaluation of the strategies, policies, programs, projects, and corporate activities of the World Bank Group

The brief description of the cases show a common trend toward a *modern audit system* which has distinct features from the *classic audit model*. The following table summarizes the main differences between the two models:

[table 2 around here]

Discussion and Conclusion

The analysis shows general converging trends toward a new complex audit system with the characteristics that Power predicted in his contributions (Power, 1997 and 2003). Multiple actors in charge of auditing, overlapping competencies, and different types of audit, including inspection,

anti-corruption, and risk management, characterize auditing in IOs and underline a growing trend. Such trends are confirmed by some recent studies (Grigorescu 2010). On the other hand, reasons for the evolution of audit systems in IOs can as yet only be sketched, but they underline the need for further investigation especially at the single organizational level. Although the current literature places audit reforms within the wider framework of modernization of the whole public sector (Pollitt and Summa 2002), there are some specific drivers of change, which are peculiar to audit systems in IOs. In other words, the economic rationale does not fully explain the increase of audit services and their differentiation (----- and ----- 2012). Current scholarship recognizes that management reforms in IOs have external and internal driving forces whose combined effects have to be taken into consideration in further research (Bauer and Knill 2007). Interestingly, the explanatory drivers are similar among the analyzed IOs. Isomorphic behaviors among institutions can at least partially explain such converging trends, but the question remains of where the pressure for such evolution in audit systems originates due to the fact that Power's explanatory arguments are very broad and contextual (Grigorescu 2008; Park 2010). As a matter of facts, IOs are funded by national countries often on the base of their different financial capacity. The United States are, in most of IOs, by large the main contributor (providing 22% of the overall funding for UN, 21% for OECD, 17,68% for IMF, 11,709% for WTO). More generally, IOs seem to be lead by western and more developed countries. This may create consequences in how IOs are currently administered and reformed worth to be further investigated. And, in terms of accountability, it would be interesting to understand whether poor countries are at the end of the reform process better off in terms of their possibility to participate and influence the IOs management and activities.

As Power suggested, there is an increasing demand from different societal actors at the national and international level for accountability (Koenig-Archibugi 2010). Such demand may have been fostered by the scandals in which IOs have been involved along time. Moreover, within a favourable NPM-based environment, the trend toward a modern audit model can be seen as a

deliberated strategy for IOs but also for auditors themselves useful to re-gain legitimacy and power within these organizations.

Despite the possibile descriptive and explanatory arguments raised in the analysis, several questions still remain to be addressed. First, in general terms, the role of micromanagement within the single IOs has still to be taken into appropriate consideration to interpret their audit architecture's evolution. The literature debates whether so wide processes of reforms are only context-leaded or there are also internal processes favouring or impeding them (Pollitt, 2003). Organizations are made of men and therefore it is reasonable to think that power games, conflicts and different levels of leaderships can play a role.

Second, the role played by the national Supreme Audit Institutions has yet to be analyzed: they are the only actors always present in all IOs as external auditors and their competences have been extended to include performance audits, as at national levels. This would suggest that reforms at IOs' level somehow mirror what was happening at the national one. But, Supreme Audit Institutions can not be considered as a consistent monolith. They come from different juridical and institutional contexts in which they may play different roles (OECD, 1996, Pollitt, 2003) and they have been influenced by the NPM precepts with different degrees (Pollitt and Summa, 1997). We can assume that this affects the way auditing is conducted in IOs. At the same time, we observe a few cases in which Supreme Audit Institutions have been replaced by private accounting firms. Besides, they now cover different roles in different bodies so their presence has widely increased. Internal auditors rely mainly on international standards for auditing, such as the International Standard for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors, an international association established in 1941 in the United States. Whether or not such international associations have the necessary power to increase the demand for the services they produce is yet to be proven empirically. However, it should be noted that such associations offer a wide range of services including the definition of audit standards, the preparation of audit manuals,

training, and certification of audit officials, often adopted by the IOs, signalling that these associations' voices are not without listeners.

Third, the consequences of this sweeping transformation for safeguarding integrity and the management of resources awaits further empirical investigation. One wonders whether the transformation towards a more complex modern audit model will have an effect on ensuring compliance, fostering performance and accountability while curbing corruption, or whether it will eventually lead to a widening of the "expectation gap", famously viewed by Power (1997) as a fundamental trait of modern audit systems. As auditing is more than a technical component of oversight and monitoring, it may be better viewed as a fundamental tool to legitimize modern management systems (Power 2003). The increase of audit services may then be explained as a way through which an organization can control its own compliance with regulation and performance in the broadest terms. However, an increase in legitimacy does not necessarily imply an increase in fighting integrity breaches and effectiveness. These questions provide a basis for further research, as these broad trends seem to be occuring in all major global players.

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Annex:

Table 1 Budgets of the audit bodies

	1994-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
UN Internal Oversight*	12,2	15,01		18,36		18,75		20,3		23,23		31,33		35,99		38,93		38,88		
World Bank Independent Evaluation Group**											26,4	27,5	28,8	30	31,3	32	33,5	32,5	34,4	33,6
IMF Internal Evaluation Office***									3,5	3,8	4,3	4,46	4,53	4,621	4,8	4,8	5,432	5,508	5,542	

Data in Million $

Sources:

* UN Program Budgets - http://www.un.org/documents/resga.htm

** IEG budgets - http://documents.worldbank.org/curated/en/2013/08/18105068/world-bank-budget-fy14

*** IEO Annual reports - http://www.ieo-imf.org/ieo/pages/AnnualReports.aspx

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Table 2: The main differences between the two models

	Classic Auditing	**Modern Auditing**
Type of auditors	Only External or Internal + external	Multiple internal oversight bodies + multiple external oversight bodies + private audit companies
No. of auditors	1 internal, 1 external	More than one external and internal oversight body
Interaction between audit actors	Limited or no coordination among actors	Extended centralized coordination often through committees
Types of audits	Narrow focus 1. Financial 2. Legal	Multiple types 1. Financial 2. Legal 3. Performance (external and internal) 4. Evaluation 5. Anti-corruption 6. Risk assessment 7. Forensic audit
Composition of external audit boards	1. One single country rotation system 2. Appointed members from different countries.	One country contracted or members from different countries or a private corporation.
Standards	Internal to the IO and international	Internal to the IO and international

1 According to the Organisation for Economic Co-operation and Development's (OECD) Glossary of Statistical Terms, "International organisations are entities established by formal political agreements between their members that have the status of international treaties; their existence is recognised by law in their member countries; they are not treated as resident institutional units of the countries in which they are located." http://stats.OECD.org/glossary/detail.asp?ID=1434.

[2] The definition of audit and the ability to distinguish between auditing and other practices of evaluation and verification is a widely debated topic. Most of the criticisms against Michael Power's idea of "audit explosion" relate to his lack of a clear definition of the concept, so that almost every practice could be considered an audit activity (Humphrey and Owen 2000). Despite such interesting debate, for the purposes of the present article we use the term "audit" as an umbrella-term for every practice of verification and evaluation. Consequently, an "audit system" in the present research comprises all the technical, procedural and juridical settings necessary to run the full range of practices of verification and evaluation adopted by a certain organization.

[3] In this sense, it seems paradoxical that the most important members of IOs are democracies and the IOs, in the eyes of some critics, lack democratic quality (Kahler 2004).

[4] Passed by the 107th Congress of the United States of America, Washington DC, January 23, 2002.

[5] Effective Implementation: Key to Development Impact: Report of the World Bank's Portfolio Task Force (The Wapenhans Report), October 1992.

[7] For details, see: http://www.cato.org/pubs/pas/pa092.html.

[8] http://query.nytimes.com/gst/fullpage.html?res=9C04EFD81F3BF93AA35751C0A9639C8B63&pagewanted=all.

[9] The report is available at: http://www.ip-watch.org/files/WIPO%20External%20Review%20Report_01.pdf.

[10] See for instance United Nations Resolution 347 (IV) (1949). It prescribed a maximum of six members for the United Nations Panel of External Auditors with the responsibility of auditing financial accounts of the UN and of its special

agencies. It also stated that the Board has not the power of disallowing items in the accounts but just the duty of informing the Secretary General about the issue.

[11] The UN was created in 1945 after World War II with the mission to maintain peace and security among countries. From the original 51 members, it now comprises 193 Member States; due to the many issues in which the UN is involved, its governance structure is rather complex. The main UN bodies are the General Assembly, the Security Council, the Economic and Social Council, the Trusteeship Council, the International Court of Justice, and the Secretariat.

[12] The Panel of External Auditors was established under Resolution 347 (IV) (1949) and 1438 (XIV) of the General Assembly (1959).

[13] The UN Board of Auditors was established under Resolution 74 (1946), to audit of the accounts of the UN and its funds and programs and to report its findings and recommendations to the Assembly through the Advisory Committee on Administrative and Budgetary Questions.

[14] Resolution 347 (IV) (1949) – Annex A, 4.

[15] The IMF was conceived in 1944 by representatives of 45 countries meeting at Bretton Woods to establish economic cooperation ensuring the stability of the international monetary system and to avoid a repeat of the Great Depression. A formal agreement was made in 1945 among 29 countries and the Fund became active in lending money in 1947. It acts as the main lender for countries in financial difficulties (Mountford 2001).

[16] The CoE was founded in 1947 to promote human rights, democracy, and cooperation between all European countries, including those that do not belong the European Union; the founding idea was to create "greater unity" among member states (Art. 1, Statute of the Council of Europe). Today, the CoE numbers 47 member countries. Although it cannot make binding laws, it plays an influential role in setting standards, and its relevance grew in the years following the fall of the "Iron Curtain" (Checkel 1999). The European Court of Human Rights enforces the European Convention on Human Rights and is probably the best-known body of this IO. Questions of democratic accountability have been raised before, though, especially with regard to the role of the parliamentary assembly (Habegger 2010).

[17] Annual Report 2010 of the Directorate of Internal Oversight, May 25, 2011. CM(2011)64.

[18] The OECD is an international organization currently comprising 34 countries. The Convention creating the OECD dates back to 1961, but originated in 1947 when the Organisation for European Economic Cooperation was established

to run the Marshall Plan for reconstruction in Europe after World War II. The current role of the OECD is achieving the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability. The OECD's main tasks are the production of studies and forecasts for single countries in order to suggest the best economic policies. The current budget is around 347 million euros and it employs more than 2,500 staff.

[19] The WTO was established in 1995, superseding the General Agreement of Trade and Tariffs (GATT). Its main task is to deal with the rules of trade between the countries in order to establish agreements able to foster international trade and to avoid commercial wars. Around 153 countries are currently members of the WTO. The WTO is based in Switzerland, has a budget of more than 160 million euros, and employs 640 personnel.

[20] The WB was set up under the Bretton Woods Agreement at the end of World War II to support member countries' economic development through the establishment of appropiate institutions of governance and issuing loans in critical situations.

[21] The JIU was created on an experimental basis under General Assembly Resolution 2150 in 1966. The Unit is composed of not more than 11 inspectors appointed by the General Assembly on the basis of their special experience in national or international administrative and financial matters, and with due regard to the principle of equitable geographical distribution and of reasonable rotation.

[22] The OIOS was established in July 1994 as an operationally independent office that assists the Secretary-General in fulfilling his internal oversight responsibilities in respect of the resources and staff of the Organization through monitoring, internal audit, inspection, evaluation and investigation. See Resolution 48/218B (1994).

[23] The IED was formally established on 1 January 2008. Previously named the Monitoring, Evaluation and Consulting Division (MECD), IED was established under Resolution 48/218B. Today, it is in charge of conducing independent inspections and evaluations on behalf of the Secretary-General and the Member States in order to assist intergovernmental bodies and program managers in evaluating the relevance, efficiency, effectiveness, and impact of Secretariat programs.

[24] The Investigations Division operates a 24-hour confidential hotline. The Division can subsequently start an investigation in secret. It can therefore have direct access to records, data, sites and staff without any hindrance or need for prior clearance. The Investigations Division follows up on reports of possible violations of rules or regulations, mismanagement, misconduct, waste of resources, or abuse of authority.

[25] The Internal Audit Division's function is an independent assurance and advisory activity designed to add value and improve the Organization's operations. Internal audits help the Organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

[26] Resolution 60/248 of 23 December 2005 established the IAAC to assist the General Assembly in discharging its oversight function. The specific terms of reference of the IAAC were adopted by the Assembly in a subsequent resolution 61/275 of 29 June 2007. The tasks of the IAAC as they relate to internal oversight are very broad and include the oversight of OIOS activities but also, more generally, an advisory role on deficiencies of the internal control system of the UN.

[27] The Board of Auditors and the Panel of External Auditors both adopt the International Standards on Auditing, while OIOS uses its own manuals and standards for internal audits and inspections. When UN programs are audited, auditors may have to follow the program's own standards.

[28] Annual Report 2010 of the Directorate of Internal Oversight, May 25, 2011. CM(2011)64, p. 1.

[29] Cf. Annual Report of the Internal Audit 2005, GR-AB(2006)11, April 18, 2006.

[30] Council of Europe, Resolution CM/Res(2008)2, January 16, 2008.

[31] Council of Europe, Resolution CM/Res(2011)1, January 12, 2011.

[32] Established in 1941, the IIA is an international professional association.

[33] COSO's mission is to provide leadership through the development of comprehensive frameworks and guidance on enterprise risk management, internal control, and fraud deterrence designed to improve organizational performance and governance and to reduce the extent of fraud in organizations. COSO was formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private-sector initiative, which studied the causal factors that can lead to fraudulent financial reporting. It also developed recommendations for public companies and their independent auditors, for the Securities and Exchange Commission (SEC) and other regulators, and for educational institutions. http://www.coso.org/.

[34] OECD Secretary-General's Report to Ministers 2012, p. 69, available at: http://www.OECD.org/dataOECD/56/6/48066007.pdf&sa=U&ei=2l6_T5ikPIOBOqvXpd8J&ved=0CAUQFjAA&client=internal-uds-cse&usg=AFQjCNEBOaavyj2hfOpbkb3HSMcgYDrf1g.

[35] Financial Regulations, Regulation 31 [C(2008)92/REV1].

[36] Financial Regulations, Regulation 31 [C(2008)92/REV1], 31. 1.

§8. The Audit Committee shall meet with the external and internal audit functions, and, as appropriate, other officials of the Organisation.

[37] [C/M(2005)4], 38.

[38] [C/M(2005)4], 38e.

[39] Demands for more effective accountability came to the fore at the beginning of the 1990s, when internal as well as external awareness grew that the effectiveness of projects financed by the Bank was down to 66% and there was increasing criticism by non-profit organizations and donor recipients in developing countries about the ineffectiveness of programs and the financing of projects in authoritarian regimes (Grigorescu 2008, 2010; Park 2010). In addition, the public disclosure of cases of corruption and mismanagement increased the pressure from member states and civil society to introduce new mechanisms to safeguard integrity and increase effectiveness.

[40] The Inspection Panel was created on the legal basis of Resolution IBRD 93-10 and Resolution IDA 93-6.

[41] World Bank (2010): Annual Report, Internal Audit Vice Presidency.

[42] See for example World Bank Group. Internal Auditing Department. FY 08 Annual Report. IAD Report No. IBRD FY09-19, January 13, 2009.

[43] Ibid, p. 7.

[44] WB Board Report (2008): Independent Advisory Board (IAB) for issues relating to functioning of the WB's Department of Institutional Integrity (INT). Report No 44138.

[45] See Resolution Nos. 94-4, IDA 94-1 and IFC No. 94-21, adopted May 31, 199

[46] World Bank (2010): Annual Report, Internal Audit Vice Presidency, p. 2.