

12th Meeting of the INTOSAI Standing Committee on
IT Audit

Speech (draft)

On

E-Government and Audit Computerization
in China

To be delivered by

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Mr. Vijayendra Nath Kaul, the honorable Chairman of the INTOSAI
Standing Committee on IT Audit,

Mr Bjarne Mørk-Eidem, the honorable Auditor General of Norway,

Distinguished guests,

Ladies and Gentlemen:

It is a great pleasure for me and my colleagues to be here, the beautiful city of Oslo, to attend 12th Meeting of the INTOSAI Standing Committee on IT Audit. As known to all, China has always been and will continue be ready to assume responsibility in international affairs and take an active part in international exchanges and cooperation on an equal footing which are conducive to the development and progress of the humankind. With regard to this principle, the National Audit Office of China will also try her best to make her role in the INTOSAI Standing Committee on IT Audit into full play by sharing her experience in IT Audit with colleagues around the world. In the following a few minutes, I shall give a brief introduction to where I think China is on the road of E-Government and Audit Computerization.

E-Government

The building of E-Government framework in China has started in the late

1980s since the initiation of first E-Government program under which the governments both at central and local levels used office automation (OA) systems and established an intranet and computers were given wider and wider use in the preparing of official documents, plans and statistics.

In light of the global trend of building national information highway, the Central Government of China has decided to speed up the IT development in various sectors of the national economy ever since 1990s, and as a result formally launched the Golden Projects as a series of separate information structure initiatives aimed at building E-Government in China. These 5 major E-Government projects are as follows:

- Golden Bridge Project is the infrastructure for “informatizing” the national economy. At its core is a project to build the infrastructure backbone over which other government information services will run. This interconnection network shall link up all government departments for enhancing information-sharing.
- Golden Customs Project is intended to create an integrated data communications system connecting foreign trade companies, banks, and the customs and tax authorities. By the introduction of Electronic Data Interchange (EDI) technology, the system shall speed up customs clearance of goods and realize paperless international trade. This

system shall allow customs departments to verify a range of data through networks to facilitate customs management and prevent illegal activities such as falsification and fraudulence in customs declaration.

- Golden Card Project is initiated with the intension of creating a unified payment clearance system to allow the widespread use of credit and debit cards across China. The project has allowed the development of effective automated teller machine (ATM) networks and point of sale (POS) terminal networks. The existence of this truly national network is essential for the development of E-Finance and E-Commerce.
- Golden Tax Project refers to the establishment of on-line checking network in which Value Added Tax invoices are the main targets of on-line checking. Up to now, a checking network has been build up linking up 3835 taxation authorities at and above county levels nationwide and played an important role of diminishing criminal cases in relation to Value Added Tax invoices.
- “Government online Project (GOP)” refers to the promotion of the establishment of formal government websites so that the public could acquire government information and procure specific government services via the means of Electronic Service Delivery. After the launching of GOP, the government is then implementing what are

known as the Enterprise online and Family online Projects to further drive the uptake of online use and services, laying a base for the establishment and growth of “E-Society” by attracting government offices, enterprises and personal users to the internet for information-sharing.

On the threshold of 21st Century, the Chinese government has attached great importance to the application of E-Government, serving as an important part of IT Development Scheme of China. The Chinese government has set ambitious visions in the implementation of E-Government: quicken the pace of change in government functions to suit the requirement of reform, opening up and modernization policies, improve the performance of government operation, introduce new government measures in a scientific manner and more effective mechanisms to monitor the economic activities, place a greater emphasis on central co-ordination and transparency of government work, carry out administrative functions in accordance with law and provide better service for the public.

Based on the current position of implementing E-Government in China, we report our view that the following key issues need to be addressed in the next five years if the above-mentioned government’s vision is to be

achieved:

- A uniform and integrated E-Government network is needed to be constructed to ensure all business systems connected and information shared.
- 12 key service networks involving Public Finance, Customs, Taxation, Social Security, Agriculture, Product Quality Control, Water Resource and Audit Information (known as the Golden Audit Project) should be constructed and improved.
- A general plan for establishing of governance information resource databanks storing basic information like population, judicial entity, natural resource and geography shall be prepared.
- Government websites should be popularized and better managed in order to enhance transparency of governance information and promote public service.
- A security system should be established to assure information to deliver safely and correctly, backed up by emergency support center and data disaster recovery system.
- A full set of E-Government standards and regulations are required to be set down.
- As the real government must change its workflow to fit the E-Government's requirement, some kind of information training and

examination is required for the public servants.

- The construction of E-Government legal framework is to be accelerated.

Audit Computerization

Similar to the rise of E-Government in China, the dynamic has been taking shape in the development of Audit computerization in China and has driven forward development especially since 1998.

With the increasing use of information and networking technologies both in government agencies like public finance, taxation, customs and major enterprises such as monetary institution, power company, petrochemical industry, railway and civil aviation company, as well as the rapid development and application of accounting software, traditional audit with accounts scrutiny as its major means of work has encountered unprecedented challenges. Especially due to the computer crimes and fraud emerging in the accounting sector, audit of information system has gradually become a new target of audit supervision. In order to adapt to the change of audit environment, auditors are required to master information technology and change the present situation of manual audit work. Computer is sure to be the main means and tool of audit work.

The rapid development of E-Government in China and increasing adoption of information technology among the auditees has jointly made the CNAO feel the need to realize audit computerization becoming more urgent than ever. As a result, the CNAO started to make active explorations in applying IT in auditing and put forward its idea to realize auditing based on information technology through an ambitious IT project, which was named Golden Audit Project and subsequently got its approval from the Central Government as one of the 12 key IT infrastructure projects under the E-Government framework of China.

The aim of Golden Audit Project is to establish an auditing information system that enables data-tracing and effective control over the financial information system and relevant electronic data in major auditees and introduce a new model of audit that features “budget follow up + on line review” which better caters to the requirement of auditing in IT context.

Approved by the State Council, the Golden Audit Project was launched in May 2002 with a total budget of 23 million US Dollars for the first phase of project. It mainly covered five major areas:

- to build up a wide area audit network on the basis of E-Government web system connecting the CNAO with 18

resident offices, 25 dispatched offices and 31 provincial audit offices nationwide as well as major audited bodies.

- to develop a group of application software that can satisfy both office and audit business requirements like the Computer-Aided Office System (CAOS) with dual functions of office automation (OA) and field-audit support and a field-audit implementation system which enables the telecommuting of information with audit institutions.
- to construct a group of database (working platforms) for service of effective information to audit assignments and decision-making.
- to prepare regulations and standards concerning IT Audit. The Audit Manual for World Bank Loan Project, Enterprise Financial Audit Manual, Business Bank Audit Manual and Guidelines for Audit Software Development have been prepared and now a code standard for the audit management and business is being drafted. Entrusted by Information Office of the State Council, the CNAO shall be responsible for the preparation of Interface Standard for Financial Accounting Software Data.
- to train a brand new audit force. The junior training is to

teach Computer ABC as well as basic IT skills for all staff of the CNAO. The senior training aims to train backbone auditors to improve the trainees' ability to use computer software and network-linkage for IT audit.

In the recent years, the CNAO has also launched a number of pilot IT audit assignments in the fields of audit of electronic data, IS Audit and remote online audit and achieved prominent experiences and results. Another notable research is also being undertaken with the cooperation of Chinese Academy of Science on Audit Supervision under the Network Environment.

Through the successful implementation of Golden Audit Project, the CNAO shall enter a "mature" stage both in audit methodology and resource provision. It is firmly believed that the use of modern technologies shall further propel the development of audit supervision in China.

What the CNAO has achieved is only a starting point for future progress and we look forward to having more intensive exchanges and discussions with all of you present here for exploring our way out in the road to E-Government and Audit Computerization. An international seminar on

IT Audit will be hosted by the CNAO again in Autumn, 2004 and I would like to take this opportunity to extend my sincere invitation for our friends and colleagues to participate the seminar in Beijing. Both old acquaintances and new friends shall be welcome in Beijing. We look forward to meeting you again in Beijing, China.

Thank you.