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DIVERSITY WORKING TOGETHER

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ACRONYMS

SAI	Supreme Audit Institution
EUROSAI	European Organization of Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
INCOSAI	Congress of INTOSAI
OLACEFS	Organization of Latin American and Caribbean Supreme Audit Institutions
ARABOSAI	Arab Organization of Supreme Audit Institutions
ASOSAI	Asian Organization of Supreme Audit Institutions
AFROSAI	African Organization of Supreme Audit Institutions
CAROSAI	Caribbean Organization of Supreme Audit Institutions
PASAI	Pacific Association of Supreme Audit Institutions
IDI	INTOSAI Development Initiative
ETC	EUROSAI Training Committee
WGEA	Working Group on Environmental Audit
ITWG	Information Technologies Working Group
ISSAIs	International Standards of Supreme Audit Institutions
UN	United Nations
EU	European Union
CIS	Commonwealth of Independent States
CBC	INTOSAI Capacity Building Committee
PSC	INTOSAI Professional Standards Committee
IEA	International Energy Agency
UNEP	United Nations Environment Programme



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EDITORIAL

Dear Colleagues,

Faithful to our appointment, we meet once again this year within the context that the EUROSAI Magazine provides us, as a forum for the exchange of information and experiences, and vehicle for communication and collaboration among the members of the Organisation and with the outside world.

EUROSAI is twenty years old in 2010. Over the course of this year, a range of activities have had that landmark as their reference, being an important one the extraordinary meeting for the commemoration of the twentieth anniversary held by the members of the Organisation, in Johannesburg in November, in the framework of the XX INTOSAI Congress. Thus meeting constituted a magnificent example of how cooperation and exchange of experiences, in an environment of personal and professional cordiality and harmony, is essential for learning from the past, managing the present with the maximum efficiency, and planning the future with realism and responsibility.

This special Edition of the Magazine also has this commemoration as its central theme. The origins and history of EUROSAI, the expectations of its members, the contribution of Supreme Audit Institutions (SAIs) to good governance and its commitment to meet demands of citizens, the value of collaboration for achieving enrichment and global progress, along with the challenges facing our Organisation in view of the new realities which have to be tackled by external auditing, these are questions that has served as a conducting wire for reflection.

EUROSAI was constituted in 1990 with thirty members and it now consists of fifty, having become ever more diversified and specialised in its actions. Our Organisation has undertaken intensive activity in promoting an understanding and professional and technical cooperation among its members, with the other Regional Groups of INTOSAI, and with external partners, through the exchange of ideas, experiences, information and documentation in the field of auditing public funds. It has also strengthened the study of subjects related to this area, from doctrinal and practical perspectives, setting up working groups and task forces for the purpose.

Along these years, EUROSAI has made a special effort to boost training and to provide its members with access to promotion programmes for institutional development. It has also encouraged the undertaking of joint actions, which have revealed that, even when the external audit systems are different, the institutions developing them tackle common tasks with shared challenges. In the exercise of its objectives, EUROSAI has sought to become a pillar to support INTOSAI within the European region, backing up its initiatives and actively contributing to putting them into practice among its members.

Though still young, EUROSAI has reached its fully maturity, with relevant achievements and with interesting future prospects facing it. Indeed, the VIII EUROSAI Congress, to be held in Lisbon (Portugal) from 30 May to 2 June 2011, will represent the start of a new stage for our Organisation. There is not doubt that the strategic plan to be approved in it, will design a global action that will make it possible to comply with objectives in a more efficient and integrated way, taking into account the new developments in the environment of the external auditing. This equally well implies changes in the organisational structures which, under the guidance of the Congress and the Governing Board, and with the backing and support of the Secretariat General, will have to be adapted and reoriented, as flexibly and efficiently as possible, in order to achieve the strategic goals.

2011 will also be a fruitful year for the promotion of cooperation in EUROSAI. The working groups and task forces will be starting the new and ambitious plans of action that will be approved in the VIII Congress. Activities in collaboration with INTOSAI will be strengthened, particularly with the Capacity Building Committee -for promoting training- and with the INTOSAI Development Initiative (IDI) -aimed at the capacity building of SAIs-. EUROSAI will also be furthering cooperation with organisations with which there already exist solid ties, such as ARABOSAI -with which the III Conference is going to be held in March- and with OLACEFS- with which the VII Joint Conference is now being prepared for 2012-. Likewise, 2011 will see the start of regular cooperation between EUROSAI and other entities, such as ASOSAI -with the I Joint Conference between their respective Governing Boards in September- and the European Confederation of Institutes of Internal Auditing (ECIIA) with which a memorandum of understanding is going to be signed.

EUROSAI's challenges are many and its future is truly stimulating. Cooperation and joint work are keystones for achieving a mutual enrichment of SAIs, under the principles of independence, excellence and efficiency.

I would like to end these remarks by stating, once more, the willingness of this EUROSAI Secretariat, and expressing the most sincere gratitude to the authors who have made it possible to produce this special Edition of the Magazine for commemorating the twentieth anniversary of EUROSAI. I would also like to offer this meeting point that is our publication, to all those wishing to contribute to this common project.

Manuel Núñez Pérez,
President of the Spanish Court of Audit,
Secretary General of EUROSAI



XXXVI EUROSAI Governing Board Meeting

Madrid (Spain), 4 November 2010

Summary of the Main Discussions and Agreements

The XXXVI Meeting of the EUROSAI Governing Board (GB) took place in Madrid (Spain) on 4 November 2010. It was chaired by Mr Jacek Jezierski, President of the NIK of Poland and Chair of the EUROSAI GB. The meeting was hosted by Mr Manuel Núñez, President of the Spanish Court of Audit and Secretary General of EUROSAI, at the premises of the Congress of Deputies (Lower Chamber of the Parliament of Spain), being welcomed the participants by its President, Mr José Bono. The meeting was opened by the Chair of the GB. The main discussions and agreements taken referred to the following issues:

1. The GB approved the agenda for the meeting. It was divided into seven chapters, dealing successively with general issues concerning EUROSAI, strategic matters, training, working groups and task forces, cooperation, financial requests from EUROSAI budget, and other issues related to the Organisation. The minutes of the XXXV GB Meeting were also approved by the GB.

2. Mr. Núñez, in his capacity as the Secretary General of EUROSAI, presented the EUROSAI Activity Report 2009-2010. The GB approved a proposal, jointly made by Mr. Jezierski and Mr. Nunez, for the EUROSAI Regional Group to hold an informal encounter in Johannesburg, on the occasion of the XX INCOSAI, for commemorating the XX Anniversary of EUROSAI. Agreements were also taken for not including any more in the EUROSAI Magazine, the minutes of the GB

meetings -that will be delivered to all the members of the Organisation when approved- and the minutes of the EUROSAI Training Committee (ETC) meetings, as well as having these last ones available only in a restricted part of the EUROSAI website.

The 2009 Accounts and Financial report of the Organisation were also presented by the Secretary General, as well as the 2009 report of the EUROSAI Auditors (the European Court of Auditors and the SAI of the Slovak Republic), which stated that the financial statements provided a true and fair view of the EUROSAI financial situation. The GB took note of the mentioned reports.

3. In the framework of EUROSAI strategic matters, Mr. Jezierski informed on the implementation of the programme of the EUROSAI Presidency 2008-2011. He summarised the main priorities of his term as Chair of the GB, making reference to the coordinated audit on programmes aimed at increasing the employment of disabled persons -developed in the EUROSAI framework following the recommendations of Theme III of the VII Congress-, the contribution to the performance of the EUROSAI Training Strategy, the promotion of the implementation of the ISSA-Is in the European region, as well as the strengthening of internal and external cooperation.



Mr. Jezierski stressed as the main priority the drafting of the 2011-2017 EUROSAI Strategic Plan, which should be adopted at the VIII EUROSAI Congress, in 2011. He, as the Chair of the Task Force (TF) "EUROSAI Strategic Plan", provided information on the works and developments of the referred TF, that was established at the XXXIV GB meeting on 5 June 2008, and comprises the SAIs of Poland, Austria, Germany, The Netherlands, Norway Portugal, Spain and the UK. The TF is developing its work based on the consideration that the Strategy should be focused on EUROSAI specificities and should be addressed to achieve its regional objectives, contributing from this basis to the performance of the INTOSAI Strategic Plan. Mr. Jezierski summarised the main elements of the draft Strategy, paying special attention on its mission, vision and strategic goals. He also explained the steps already given in the consultation process with the GB and the EUROSAI members, as well as the following steps until its presentation to the VIII Congress for approval.

4. Concerning training matters, Mr. Núñez, Co-chair of the ETC, presented the 2009-2010 ETC Activity Report. He highlighted the three main lines of action of the ETC, namely, performing the EUROSAI Strategy 2008-2011, improving its internal organisation and operation for a more effective functioning, and preparing reports in view of the VIII Congress. Mr. Núñez summarised the main actions carried out by the ETC in the performance of the three strategic priorities of the Training Strategy: training, knowledge and information sharing, and institutional development. He also made reference to the practical guide drafted by the ETC for organising EUROSAI training events, announcing that it will be available at the EUROSAI website.

Mr. Didier Migaud, Senior President of the French SAI and Co-chair of the ETC, summarised the work still left to be done for performing the task entrusted to the ETC by the VII Congress and the challenges for EUROSAI in the training field. Ensuring high quality and efficiency of training; searching for new ways for developing it; meeting the needs of EUROSAI members; and improving cooperation within EUROSAI, with INTOSAI and with external partners were presented as main challenges.

Ms. Christine Rabenschlag, SAI of Germany, as the Chair, introduced a report of the work developed by the Task Force "Reviewing the EUROSAI Training Committee Structure". She also presented the Terms of Reference approved by the ETC, which include provisions concerning its structure, organisation, operation and financing, announcing that they would be available at the EUROSAI website. She expressed that the Task Force considered already fulfilled the task entrusted and finished its mandate, being in the future the Task Force "EUROSAI Strategic Plan" who should deal with all debates on structural aspects in order to avoid overlapping and parallel discussions.

The GB took note of the reports presented and agreed with the proposals made.

5. The GB considered the activity reports of the EUROSAI Working Groups (WG) on IT (presented by Mr Kurt Grüter, Director of the SAI of Switzerland, Chair of the WG); and on Environmental Audit (presented by Mr Jorgen Kosmo, Auditor General of Norway, Chair of the WG); as well as the progress report of the Task Force on "Audit of Funds Allocated to Catastrophes and Disasters" (presented by Mr Symonenko, Chair of the TF).

The GB took also into consideration the report presented by

the Working Group mandated by the VII EUROSAI Congress to develop a Good Practice Guide on Audit Quality (presented by Ms. Judith Kövessiné, SAI of Hungary, Chair of the WG), and approved the document drafted in this regard "Achieving Audit Quality: Good practices in managing quality within SAIs". A new mandate of six years was requested by the referred Task Force for setting up an electronic data base on good practices, under the host of the SAI of Hungary, for keeping updated and adding further information to the guide. This initiative was discussed and accepted by the GB, which asked the Hungarian SAI to contact the INTOSAI "Collaboration Tool" for facilitating coordination with INTOSAI and avoiding duplications in this area.

6. Several issues were discussed by the GB under the heading of EUROSAI cooperation:

- Mr. Núñez reported that, following the GB's request, the EUROSAI Secretariat had contacted the Secretariats of OLACEF and ARABOSAI, which had welcomed the initiative of going further in the cooperation with EUROSAI, trying to develop it in other areas and fields and at other levels.

- In what concerns cooperation of EUROSAI with OLACEFS, he remarked that there is no EUROSAI host yet for the VII Conference EUROSAI-OLACEFS, to be held in 2012. In what relates cooperation with ARABOSAI, Mr. Núñez reminded that the III joint Conference EUROSAI-ARABOSAI will be held in the United Arab Emirates, on 29-30 March 2011, under the Theme "The role of SAIs in strengthening transparency and accountability, and in the fight against corruption". He pointed out that the invitations for the event had been already delivered by the host.



- Mr. Kosmo, Chairman of the IDI Board, informed of IDI's activities, paying special attention to the progress of cooperation with EUROSAI.

- Mr. Paruzin, SAI of the Russian Federation, provided information on the contacts made by his SAI and the SAI of Turkey for developing regular cooperation between EUROSAI and ASOSAI, as a new partner.

- The EUROSAI Secretary General offered additional information on the proposals made by the GB of ASOSAI for dealing with this cooperation. They suggested starting it with joint conferences, each three years, between the respective Governing Boards for discussing, from a strategic perspective, topical themes of common interest. The EUROSAI GB agreed with this proposal in what refers the terms of cooperation, approving that the First Conference EUROSAI-ASOSAI would be held in Istanbul.

- Mr. Jezierski informed on the contacts kept with the European Confederation of Institutes of Internal Control (ECIIA), with the support of the Belgian SAI -as the Chair of the INTOSAI Subcommittee of Internal Audit Standards- and the SAI of France, for setting up regular cooperation between it and EUROSAI. A Memorandum of Understanding for regulating the relations was discussed and approved by the GB, entrusting the President of the EUROSAI GB to sign it.

7. The GB agreed to grant financial contributions from the EUROSAI budget for the following events and initiatives:

- Reimbursement for the Seminar "Performance audit of social programmes for professional integration of disables- A practical approach to evaluating economy, efficiency and effectiveness"

(Warsaw, Poland, January 2010), with the sum of € 10,450, at the request of the seminar host, the NIK of Poland.

- Seminar "Audit of Public-Private Partnership", in cooperation with the Contact Committee of EU SAIs (Bonn, Germany, February 2011), with the sum of € 6,950, at the request of the seminar host, the SAI of Germany.

- Contribution for the participation of six EUROSAI members on the IDI Trans-regional Capacity Building Programme "Audit of Public Debt Management" in 2010, with the sum of € 30,000.

8. Dr. Guilherme d'Oliveira Martins, President of the SAI of Portugal, offered information on the organisation of the VIII EUROSAI Congress, to be held in Lisbon from 30 May to 2 June 2011. He summarised the progress made in the preparation of the working papers concerning the three Themes of the Congress, leaded, respectively, by the SAIs of The Netherlands, Spain and Poland. The GB approved the "Procedure Standards" for the VIII EUROSAI Congress, which will be made available on its website.

9. Ms. Stuiveling, President of the SAI of The Netherlands, presented the candidacy of her Institution for hosting the IX EUROSAI Congress. The GB took note and thanked this offer. The decision will be made at the VIII Congress.

10. The Secretary General of EUROSAI presented the declaration of interest of the SAI of Belgium for GB membership to be elected at the VIII Congress. He reminded that this SAI had already offered its readiness for it at the VII Congress, having gently withdrawn its candidacy in the last moment for facilitating an appropriate representation of the different regions of EUROSAI, as requested by the Statutes. The GB took note

of this offer. The two new members of the GB will be elected at the VIII Congress.

11. Mr. Jezierski presented a joint initiative of the Presidency and the Secretariat of EUROSAI for promoting a higher and more formal commitment of EUROSAI with the strengthening of the public external control and the promotion of independence of SAIs in the European Region, supporting INTOSAI initiatives in this regard. In this framework they proposed to the GB to draft a declaration in this field to be submitted to the VIII Congress. The GB approved this initiative, entrusting the Presidency and Secretariat of EUROSAI the preparation of the first draft declaration. A consultation process with the GB and the EUROSAI members will be opened before its formal presentation to the Congress.

12. Mr Wolfgang Wiklicky, SAI of Austria and INTOSAI General Secretariat, provided information on several topics related to INTOSAI. Namely, the recent activities of the Organisation, with special attention to the performance of the 2005-2010 Strategic Plan, as well as the XX INCOSAI, to be held in Johannesburg (South Africa) from 22 to 27 November 2010. He paid special attention to the themes for discussion at the XX INCOSAI and the number of International Standards of Supreme Audit Institutions (ISSAIs), guides and documents to be submitted for approval.

13. The next two ordinary Meetings of the EUROSAI GB will be held in Lisbon, just before and after the VIII Congress, with the SAI of Portugal as the host.

The XXXVI GB Meeting was closed by the Chair, Mr. Jezierski, who thanked the President of the Spanish Court of Audit, as the Secretary General of EUROSAI and as the host of the Meeting, and the participants for their contributions. ●



XVIII EUROSAI Training Committee Meeting

Paris (France), 10 and 11 May 2010

Draft Summary of the Main Discussions and Agreements

The XVIII Meeting of the EUROSAI Training Committee (ETC) took place in Paris (France) on 10 and 11 May 2010, hosted by the SAI of France. It was attended by ETC members (SAIs of the Czech Republic, Denmark, France, Germany, Hungary, Lithuania, Poland, Portugal, Russian Federation and Spain), and co-chaired by the SAIs of France and Spain. Representatives of the European Court of Auditors, the Chair of the EUROSAT Working Group on Environmental Audit -the SAI of Norway-, IDI, the Chair of the INTOSAI Capacity Building Committee -the SAI of Morocco-, and SIGMA attended the ETC meeting as guests.

The main discussions and agreements taken, referred to the following issues:

1. The ETC approved the agenda for the meeting, that covered issues concerning the ETC structure and internal operation, the development of the EUROSAT Training Strategy 2008-2011 -including financial matters-, and the pending tasks and the documents to be drafted in the view of the VIII EUROSAT Congress. The minutes of the XVII ETC Meeting were also approved.

2. The ETC took note of the final report presented by the representative of the chair of the Task Force "Review of the ETC structure, SAI of Germany, and approved the ETC Terms of Reference (ToR) drafted -that included provisions concerning the ETC composition,

structure, procedures and some financial matters-. The ToR are to be made available on the EUROSAT website. The Task Force declared finished its mandate, once fulfilled the task entrusted, and the SAI of Germany was set up as the focal point for updating the ToR when needed. The ETC agreed that, in the future, it would be the Task Force "EUROSAT Strategic Plan" who should deal with all debates on structural aspects in order to avoid parallel discussions.

3. The ETC co-chair informed on the distribution -between its two members: the SAIs of France and Spain- of their tasks for performing the EUROSAT Training Strategy 2008-2011. They explained that co-chair's functions remained a joint responsibility and this distribution would only operate at internal level

for facilitating the co-ordination of works, ensuring a more successful monitoring of the different tasks of the subgroups set up within it, and trying to make more efficient and specialised the co-chair operation.

4. The ETC reviewed the development of the performance of the EUROSAT Training Strategy 2008-2011, highlighting the activities still to be accomplished. The Training Strategy has the mission of supporting and strengthening SAIs by enhancing professional and institutional development of EUROSAT members. It looks for effectively target the needs and demands of the diverse groups within EUROSAT, in a responsive, relevant, cohesive and focussed way. It searches for training well managed and operated in an effective and efficient way, for contrib-



uting to the continuous improvement and development of public sector auditing within the Region.

Several issues were discussed by the ETC in this framework; namely, the following points can be remarked:

Strategic priority 1.- Training

- Providing training: information was shared concerning the evaluation and lessons learnt from the different EUROSAI seminars and training events performed during 2009-2010.

- Identifying EUROSAI training needs and priorities: a questionnaire for this purpose was discussed. It will be circulated to the EUROSAI members for collecting information. This information will be completed by other sources, such as researches developed by EUROSAI working groups and the IDI questionnaire INTOSAI-Donors developed in 2010.

- Facilitating the organisation of training events: The ETC approved a practical guide drafted in this regard (available on the EUROSAI website).

- Monitoring quality and evaluating training activities: A set of standard evaluation materials (questionnaires and final report) –included in the practical guide mentioned above- have been produced by the ETC for homogenising the assessment of EUROSAI training events and facilitating their individual and global evaluation.

- Exploring learning alternatives: experiences were exchanged on e-learning initiatives; the results of a questionnaire on cooperation among EUROSAI members and the universities were presented, being the following step in this regard the promotion of this collaboration at EUROSAI global level.

Strategic priority 2.- Knowledge and information sharing

- Improvement of the use of the EUROSAI website and publication for this purpose.

- Promotion of experts networks on training and auditing.

- Strengthening cooperation with EUROSAI working groups: an analysis of common areas for collaboration was made by the ETC, being identified, among others, the provision of training, identification of training needs, exchange of information, sharing of networks and databases, evaluation techniques, sharing lessons learnt, and setting links among the respective websites.

Strategic priority 3.- Institutional development

- Promoting cooperation with INTOSAI and its Regional Groups: exploring how to go deeper in the already existing collaboration with the INTOSAI Capacity Building Committee, OLACEFS, ARABOSAI, and IDI; exploring new partners (i.e., ASOSAI in 2011).

- Exploring new formulas and new areas for cooperation.

- Reinforcing cooperation with external partners: with already existing partners (i.e., SIGMA) and with new partners (i.e., Memorandum of Understanding with the European Confederation of Institutes of Internal Audit-ECIIA-).

5. The ETC supported the financial requests made by the SAIs of Poland and Germany for, respectively, reimbursing some costs of the Seminar “Performance audit of social programmes for professional integration of disables- A practical approach to evaluating economy, efficiency and effectiveness-” (Warsaw, January 2010),

and financing the Seminar “The audit of public-private partnership” (Bonn, February 2011).

The ETC also supported granting a financial contribution of 30,000€ from the EUROSAI budget for the participation of six EUROSAI Members in IDI’s “Transregional Capacity Building Programme in Audit of Public Debt Management (2009-2011)” in 2010.

The ETC requested the co-chair to communicate these agreements to the EUROSAI Governing Board, in accordance with the financial provisions for granting subsidies approved by the V EUROSAI Congress, for them to decide on the financial requests received.

6. Representatives of the INTOSAI Capacity Building Committee, IDI and SIGMA informed on the activities developed in the last year and their strategies for the future. Discussion was raised on new formulas for cooperation with the ETC, addressed mainly to share experiences, knowledge and expertise; to impel joint activities; and to promote wider exchange of training materials, experts and information available in databases.

7. The ETC discussed on the papers and documents to be presented to the VIII EUROSAI Congress; namely, an activity report 2008-2011, an evaluation report of the performance of the Training Strategy 2008-2011, and a document containing ETC reflections on useful experiences and lessons learnt in the field of training as well as information on materials drafted and training materials available for the EUROSAI community.

8. The XIX ETC Meeting will be held in Madrid in March 2011. ●



Conference on Strengthening External Public Auditing in INTOSAI regions¹

The strengthening of external public auditing occupied the centre of attention of an INTOSAI conference held in Vienna over two days. Eighty representatives from forty-three Supreme Audit Institutions (SAI) from around the world met in the Austrian parliament on 26 and 27 May 2010. Specific approaches for optimization were prepared in the fields of independence, the obtaining of material and human resources, audit standards, capacity building, training and upgrading of personnel, the exchange of knowledge and experience and the value and benefits of Supreme Audit Institutions.

The objective group of that conference on strengthening of external public auditing in INTOSAI regions was above all made up of the chairs of Supreme Audit Institutions (SAI) of the seven Regional Working Groups of INTOSAI: AFROSAI, ARABOSAI, ASOSAI, CAROSAI, EUROSAI, OLACSAI and PASAI. Also present were representatives of the United Nations (UN), the World Bank and the Inter-Parliamentary Union as well as representatives of the Donor Community and outside experts.

The importance of SAIs for achieving international objectives was emphasized by the General Secretary of INTOSAI, Dr. Josef Moser, in his opening speech. In particular, he underlined the fact that the growing interest of international development aid organizations in collaborating with external public auditing clearly shows

its considerable importance. And indeed, SAIs – again in the words of Dr. Moser – by means of their work, guarantee public accountability and thereby create the unwaivable conditions for the attaining of international objectives, especially the Millennium Development Goals of the UN.

At the same time, Dr. Moser stressed that external public auditing can only perform its functions in an “ideal” way if SAIs have sufficient independence. In that regard, he referred to the principles of independence of SAIs set down in the Lima and Mexico declarations. INTOSAI, affirmed its General Secretary, seeks for the importance of independence to be granted express acknowledgement in the international juridical patrimony.

The relevance of the independence of SAIs was also discussed by the UN representative, Dr. Thomas Stelzer, Assistant Secretary-General for Policy Coordination and Inter-Agency Affairs (United Nations Department of Economic and Social Affairs (UNDESA) in his introductory speech. Dr. Stelzer highlighted the importance of the existence of independent SAIs for achieving the Millennium Development Goals set by the UN.

“The SAIs in the structure of the State” was the title of the speech given by the chair of the INTOSAI Governing Board and Higher Auditor of the Federation of Mexico, Juan Manuel Portal Martínez, who maintained that auditing is an integral part of good

The importance of SAIs for achieving international objectives was emphasized by the General Secretary of INTOSAI, Dr. Josef Moser, in his opening speech.

¹ This article has been written by the General Secretariat of INTOSAI in the Austrian Court of Audit.

state management. In his own words “SAIs guarantee accountability both towards the inside, in other words with regard to the Government, and towards the outside, namely, with regard to the citizens”. Portal stressed that fact that external public auditing is not just a corrective instrument; by improving the services of the State, it also contributes a clear usefulness for society.

“Auditing and responsibility of the decision taking agents of the State are among the fundamental principles of parliamentary democracy”, declared the expert on constitutional law, Dr. Johannes Hengstschläger (Johannes Kepler University of Linz) in his speech. In his opinion, the accumulation of economic power means that external public auditing acquires great importance both for the principle of democracy and for the principle

of the Rule of Law. The efficacy of public auditing – the Austrian professor emphasized – is at all times subject to the objective and personal independence of the control bodies with regard to the three State powers.

The importance of the fundamental principles of the Rule of Law for an efficient public auditing was the subject of the speech from the representative of the General Secretariat of EUROSAI, María José de la Fuente y de la Calle, of the Spanish Court of Audit. In her opinion, external public auditing plays a “key role” for guaranteeing a solid, efficient and transparent administration and for promoting Good Governance. For it to be possible to comply with this task, independent SAIs are needed that can abide by a strict ethical code and be ruled by international standards.



Dr. Matthias Witt, of the German Society for Technical Cooperation (GTZ) reported on experiences in cooperation for development contributed by SAIs. He highlighted the relevance of Good Governance and pointed out that the balance of the different institutions of the State is a basic condition for proper State management. In his actual words: "SAIs perform an essential role in the balance of State institutions". In that way, added Dr. Witt, an efficient SAI can at the same time be both objective and an instrument for the establishment of a State that will function.

The talk from the Secretary General of the Inter-Parliamentary Union (IPU), Anders B. Johnson, focused on the need for collaboration of parliaments and SAIs. For this speaker, parliaments to a large degree require the aid of SAIs with a view to complying with their function of controlling governments. For this reason, he went on to say, this cooperation ought to be intensified not just at the national level but also on the global scale, and for that same reason he considered that the Conference marked "the start of a more intense exchange of knowledge and experiences between the IPU and INTOSAI". At the same time, Mr. Johnson invited INTOSAI to participate in one of the forthcoming acts of the IPU in order to further the study of common interests of the two organizations; the General Secretary of INTOSAI was happy to accept that invitation.

The conditions of independence of SAIs in the light of the Lima and Mexico declarations were the concern of Ahmed Ataul Hakeem, FCMA, of the SAI of Bangladesh (ASOSAI), and the chair of the SAI of Portugal (EUROSAI), Guilherme d'Oliveira Martins. The latter also tackled the role of external public auditing in the financial and economic

crisis. In his talk he affirmed that "in the present financial and economic crisis SAIs have gained in influence and importance, also because, in the eyes of citizens and the international community, they embody values such as reliability and confidence".

The representatives of the SAIs of Colombia (OLACSAI), Dr. Nina Blanco; of Kuwait (ARABOSAI), Gaida'a Abdullatif; of Namibia (AFROSAI), Walter Barth and of Oman (ARABOSAI), Abdulrahman Al-Harthy, along with the chair of the SAI of Poland (EUROSAI), Jacek Jezierski, provided practical examples in their speeches in relation to independence.

The special relevance of external public auditing on the background of the financial and economic crisis was also highlighted by the President of the National Council of Austria, Mag. Barbara Prammer, in her welcoming words. In particular, she stated that throughout the whole of Europe and in the rest of the world, politicians are faced with major challenges. "It is unthinkable that this work can be carried out without the guidance of SAIs," said Mag. Prammer to the SAI representatives, since "they are the ones which provide the necessary information". Their task lay not just in creating a sound economic basis for political action – added the president of the lower chamber of the host country – they also acted as an indicator of the reliability of the democratic system as a whole. "When all is said and done, the work of the SAIs constitutes an important contribution to the decisions which we parliamentarians have to take each day," she noted.

There were two key factors for the value and benefits of external and independent public auditing – the central theme of the afternoon sessions of day one – which

The special relevance of external public auditing on the background of the financial and economic crisis was also highlighted.



**Day two of the INTOSAI
Conference was
devoted entirely
to capacity building
of SAIs.**

were discussed by the First Vice-Chairman of the INTOSAI Governing Board and Auditor General of South Africa (AFROSAI), Terence Nombembe: the perception of SAI as an independent organization and its perception as an institution that can change the lives of citizens. “Almost all the requisites needed for this can be met by applying the currently existing standards and guidelines of INTOSAI, but in some fields optimum practices are still necessary” Nombembe pointed out.

“The SAIs are an integral part of the reciprocal control of state bodies in a democratic system”, stated Valeria Termini, of the United Nations Committee of Experts on Public Administration (CEPA). “SAIs guarantee the accountability of handling funds coming from taxation”, explained Professor Termini, who also stated that CEPA has recently approved a resolution in support of the inclusion of the Lima and Mexico declarations into the international juridical patrimony.

In his speech, the chair of the SAI of the Russian Federation, Dr. Sergey V. Stepashin, mentioned the differences existing between the frameworks of conditions of the different SAIs. He suggested the advisability of drawing up a document referring to the interactions between SAIs and civil society.

The theme “Public communication of the results of the work of independent SAIs: collaboration with the media” was chosen by Kenneth Dye, ex-Auditor General of Canada. He maintained that communication with public opinion must not be affected by political factors or ones of friendship, and he stressed the need for complying with the standards set by INTOSAI for that purpose. In general, Mr. Dye advocated an active media policy among SAIs, emphasizing the importance of produc-

ing readable reports, with clear messages and in a language that can be understood. “Audit reports that go unread render the activity of SAIs useless”, he underlined.

Dennis Thatchaichawalit, of the United Nations Office on Drugs and Crime (UNODC), highlighted the task of SAIs as collaborators in the fight against corruption. In that regard, he made special reference to the United Nations Convention Against Corruption (UNCAC). He considered SAIs should also be represented in the national evaluation groups that assess the level of application of that Convention in different countries.

Day two of the INTOSAI Conference was devoted entirely to capacity building of SAIs. So, the chair of the SAI of Morocco, Dr. A. El-Midaoui, in his capacity as “goal chair” of Goal 2 (capacity building) of the INTOSAI Strategic Plan, provided an overall view of capacity building within the framework of INTOSAI as the basis for the efficient auditing activity of SAIs, and he gave details of the points at which the efforts of INTOSAI are being focused on in this regard.

The chair of the SAI of Saudi Arabia and second vice-chairman of the Governing Board of INTOSAI, Dr. Osama Faqueeh, explained the reasons that led INTOSAI to collaborating with the international donor community. For this, he described the principles of that collaboration, institutionalized in the INTOSAI-Donor Cooperation, as well as the organizational structures created with the aim of guaranteeing the success of that collaboration to the benefit of SAIs.

Magnus Borge, director of the INTOSAI Development Initiative (IDI), offered a synthesis of the organizational structure, of the works in progress, of the main fields of activity of IDI for the strengthening of external public



auditing in INTOSAI regions and, especially, of the practical aspects of the collaboration between INTOSAI and the Donor Community. IDI, Borge recalled, is an integral part of INTOSAI and cooperates closely with Goal 2 (capacity building) in the execution of the INTOSAI Strategic Plan.

In his capacity as representative of the World Bank, Anthony Hegarty assessed the contribution of international external public auditing for making the UN Millennium Development Goals a reality, especially in the fight against poverty, which is currently the greatest challenge facing the international donor community. "Strong control is the core of Good Governance", emphasized Hegarty, who also set out in detail the categories and mechanisms of World Bank financing with regard to the capacity building efforts being carried out within the framework of la INTOSAI-Donor Cooperation.

In his presentation, which followed immediately afterwards, the Auditor General of Norway, Jorgen Kosmo, stated that in developing countries the SAIs need robust infrastructures in order to achieve the Millennium Development Goals of the UN, for which the support of donor countries within the framework of INTOSAI-Donor Cooperation is absolutely indispensable. He described the organization, composition and functions of the new Steering Committee for INTOSAI-Donor Cooperation and of the secretariat, which is included in IDI. As a visible sign that this concerns collaboration among equals, INTOSAI and the Donor Community jointly hold the chair and vice-chair of Steering Committee.

The speech from the "goal chair" of the Professional Standards Committee of INTOSAI and Auditor General of Denmark, Henrik Otbo, revolved around the specific

professional standards that are in response to the circumstances, also specific, of public sector control, as well as its contribution as support to the independence of SAIs. With the XX INCOSAI, which is going to be held in South Africa in November 2010, the INTOSAI guidelines will become available for the first time in an overall regulating text. "Referral to the INTOSAI regulating text will therefore be an important universal point of reference for ensuring the independence of the different SAIs", emphasized Mr. Otbo.

Frank Grogan, of the National Audit Office of the United Kingdom, pointed out the need for capacity building and for strengthening of specialization. In his opinion, such a goal can above all be achieved via personal commitment and dedication, the firm desire to improve, reform and change, and the formalization of long-term institutional collaboration agreements.

The measures demanded by capacity building were discussed in speeches from Edmund A. Zuniga, Auditor General of Belize (CAROSAI); the Comptroller General of the Republic of Peru, Fuad Elias Khoury Zarzar (OLACSAI); Edward J. Ronia, Auditor General, of the SAI of the Solomon Islands (PASAI); Faiza Kefi, President of the SAI of Tunisia (ARABOSAI); Abdou Bame Gueye, President of the SAI of Senegal (AFROSAI), as well as Frank Grogan, of the National Audit Office of the United Kingdom (EUROSAI).

The agents especially relevant for the development of SAIs formed the subject tackled by Abdou Bame Gueye, of the SAI of Senegal (AFROSAI). In his opinion, this concerns the State, the higher bodies constituted by the SAIs, the public institutions and INTOSAI. As he explained, the State is considered as a specially influential agent, above all because it falls to it to set



This international conference therefore succeeded not just in taking a new step towards strengthening the position of SAIs within the corresponding state structure, but also in making the network of relations of INTOSAI members more interconnected among themselves and with international organizations.

the framework of juridical conditions, assign resources and put recommendations into practice.

The sustainability of capacity building is based – affirmed the Auditor General of the SAI of the Solomon Islands, Edward J. Ronia – on four factors: continuation of a defined minimum number of already finished audits, the training and upgrading of personnel, the facilitating of the necessary infrastructure by the highest ranking bodies, in such a way that it is possible to work effectively and independently, and finally, maintaining interest in the work.

On the basis of the needs and challenges specifically set out by the represented SAIs, Conference participants recommended in the jointly approved conclusions that special attention be paid to the following central contents: independence of SAIs; institutional capacity building and material and person-

nel competences; development and application of standards and professional methods of auditing; training and upgrading of personnel; exchange of knowledge and management services of knowledge; statement of the value and benefits of the existence of independent SAIs.

This international conference therefore succeeded not just in taking a new step towards strengthening the position of SAIs within the corresponding state structure, but also in making the network of relations of INTOSAI members more interconnected among themselves and with international organizations. The conclusions that have been jointly approved can be expected to contribute to the efficient pursuance of the work of INTOSAI and of its bodies and to provide continuity to its collaboration with the international donor community. ●



Auditing climate change issues

Seminar organised by the EUROSAI Working Group on the Environment¹

Copenhagen (Denmark), 23-24 March 2010

Introduction

The EUROSAI Working Group on Environmental Auditing (WGEA) organised a seminar at the European Environment Agency (EEA) on “Auditing Climate Change” in Copenhagen, Denmark, 23-24 March 2010. 58 participants from 26 Supreme Audit Institutions (SAIs) participated and a total of 30 presentations were held, including two by the EEA.

The EUROSAI WGEA distributes on a yearly basis a survey to the 44 member SAIs asking for their opinion on selected issues. In the survey carried out in 2008, seminars were rated as the most valuable activity and climate change as the most topical issue. Based on ongoing activities, the importance of auditing climate change issues and the subsequent need for increasing knowledge about the issue, the EUROSAI WGEA Steering Committee decided to arrange a seminar on the topic in 2010. Due to numerous audits being performed within this issue-area, the main focus of the seminar was on practical audit issues, lessons learnt and best practice where SAIs shared their experience from climate change audits.

Complicated issues – greater need for cooperative efforts?

Subject matter experts from the European Environment Agen-

cy (EEA) were invited to present the agency’s activities on climate change mitigation and adaptation. Mr Andreas Barkman and Mr Stéphane Isoard from the EEA gave the participants updated knowledge on these topics. Climate change policies and measures are complicated and Mr Barkman gave the participants a glimpse into the status of implementation of the EU climate policy and progress towards 2020 targets. Mr Isoard presented the EEA activities on climate change adaptation. His presentation demonstrated why SAIs should follow closely governmental efforts to establish adaptation measures at the national level. Many states are in the early stages of finding ways to deal with the coming effects of climate change and audits can address the adaptive capacity and vulnerability of nation-states. Audits may also strengthen the knowledge-base on which parliaments will foster strategies and policy measures to meet climate change consequences in the years to come.

In the next session, audit experts Dr Kristin Rypdal from the Office of the Auditor General of Norway presented the INTOSAI WGEA Global Coordinated Audit on Climate Change and Ms Alicja Gruzecka from the Supreme Audit Office of Poland reported on the EUROSAI Audit on Climate Change. With 14 SAIs in the INTOSAI WGEA

Many states are in the early stages of finding ways to deal with the coming effects of climate change and audits can address the adaptive capacity and vulnerability of nation-states.

¹ Contribution sent by the EUROSAI WGEA Secretariat (SAI of Norway).



Presentations of on-going work on INTOSAI WGEA guides on auditing climate change and sustainable energy were also presented.

Global Coordinated audit and 10 SAIs cooperating in the EUROSAI audit, these audits have demonstrated that climate change is an important audit topic and the strong dedication of the SAI community to perform audits and cooperate on this topic. The cooperative projects have enabled sharing of experience and transfer of knowledge among the participating SAIs.

Presentations of on-going work on INTOSAI WGEA guides on auditing climate change and sustainable energy were also presented. Ms Kristine Lien Skog from the Office of the Auditor General of Norway presented the INTOSAI WGEA guide on *Auditing Government Response to Climate Change* and Ms Regina Charyparová from the Supreme Audit Office of the Czech Republic presented the INTOSAI WGEA guide on *Auditing Sustainable Energy: Guidance for Supreme Audit Institutions*. The guides will hopefully inspire the SAI community to do more environmental audits within these two areas. The interlinkages between climate change and energy policy are many and these are issues of high importance. The two guides contain a step-by-step approach for auditors and also lessons learnt from performed audits.

In the workshop on flexible mechanisms under the Kyoto protocol presentations dealt with a number of issues relevant to the flexible mechanisms.

The presentations made during the first day of the seminar gave the participants an overview of on-going cooperative efforts where SAIs addressed the climate change challenges in audits and in guidance materials. Discussions during the seminar among participants clearly demonstrated a need for cooperation among SAIs on climate change auditing. Climate change issues and policy measures are of particular transnational relevance; policies and measures are

complex and common, and there is definitely a need for cooperation on sharing experiences, including auditing the flexible mechanisms under the Kyoto Protocol and climate change adaptation measures. Considering the ambitious goals set, increased public spending and involvement of the private and the public sector in the growing carbon market, the role of supreme audit institutions is vital in informing parliaments and the international society about the effectiveness of existing policy measures.

Workshops on flexible mechanisms under the Kyoto Protocol, climate change adaptation and energy issues from a climate change perspective.

During the second day of the seminar three workshops were held with 20 presentations from 13 SAIs sharing the results of their work in these areas. The themes of the workshops were flexible mechanisms under the Kyoto Protocol, climate change adaptation and energy issues from a climate change perspective.

In the workshop on **flexible mechanisms**² under the Kyoto protocol presentations dealt with a number of issues relevant to the flexible mechanisms. In the presentations and the ensuing discussions among participants it was commonly understood that emissions trading is a complex issue both to understand and to audit. It is also difficult for decision-makers to have overview of effects and how the various parts of the system work together. The complex nature of the clean development mechanism (CDM) has also been a challenge for auditors.

The objective of the workshop on **climate change adaptation** was

² Flexible mechanisms refers to Emissions Trading, the Clean Development Mechanism and Joint Implementation (market-based mechanisms) defined under the Kyoto Protocol to lower the costs of achieving emissions targets. The mechanisms come in addition to national measures and constitute a basis for what is referred to as the "carbon-market". Source: UNFCCC Secretariat webpage www.unfccc.int.



to share knowledge and give an overview on how to plan adaptation audits. The adaptation workshop was based on the INTOSAI WGEA climate change auditing guide and three SAIs presented audits. Relatively few adaptation audits have been conducted even though a wide range of impacts already are present in Europe and more are expected to take place. The SAI of Cyprus illustrated that water stress is already taking place caused by temperature increases, reductions in rainfall and saltwater intrusion. The SAI of Norway indicated that the threat of floods and landslides is expected to increase with climate change and more extreme weather events. The SAI of the UK pointed out that adaptation is a relatively new issue for government departments and the cross-sectoral nature of it is challenging. The workshop concluded that finding evaluative criteria to measure government performance against is a major challenge, but as the presentations demonstrated the approach may be to evaluate the adaptive capacities and strategies of governments.

In the workshop on **energy sector issues from a climate change perspective** 8 presentations from 6 SAIs dealt with mainly energy efficiency and governmental incentives to produce more sustainable energy. A common denominator in audits focusing on energy efficiency is the problem of data quality. In several presentations it was pointed out that lack of reliable performance data, poor quality of performance data and the relevance of data to the goals set by decision-makers are the main challenges. Altogether, without information on the effects of energy efficiency policy measures and what they cost, governments will not be able to make sensible decisions in the future on energy efficiency. Cost-effective outcomes are hard to find in this area.

The seminar can be considered a success based on feedback from participants as well as the lively discussions during the two-day seminar in Copenhagen. To audit climate change related issues is complicated due to the complexity of policy measures, data and the cross-departmental nature of the problem. SAIs have shown through numerous audits of climate change related issues that they have a role to play, and through cooperation and knowledge-sharing SAIs may be important actors in monitoring the implementation of future climate policy measures. An up-and-coming issue in this respect is climate change adaptation. The effects of climate change are already taking their toll on national governments and SAIs have a role to play in overseeing governmental efforts to meet the expected dramatic effects of climate change in the years to come.

The EUROSAI WGEA will continue its work in 2011 by adopting a new work plan for the period 2011-2014. EUROSAI WGEA members will decide the issues to focus on, but facilitating concurrent, joint, and coordinated audits as well as enhancing information dissemination, exchange of knowledge and training will remain a priority of the EUROSAI WGEA. Recently, the EUROSAI WGEA has taken steps to initiate a cooperative audit on climate change adaptation. Several SAIs in Europe have voiced interest in the cooperative audit. The EUROSAI WGEA will also support initiatives to start other cooperative audits by its members.

The report from the seminar and other information on our activities is available at the EUROSAI WGEA website www.eurosaIWgea.org.

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The objective of the workshop on climate change adaptation was to share knowledge and give an overview on how to plan adaptation audits.

A common denominator in audits focusing on energy efficiency is the problem of data quality.

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EUROSAI Agenda 2010

- **EUROSAI SEMINAR “PERFORMANCE AUDIT OF SOCIAL PROGRAMMES FOR PROFESSIONAL INTEGRATION OF THE DISABLED - A PRACTICAL APPROACH TO EVALUATING ECONOMY, EFFICIENCY AND EFFECTIVENESS”**, Warsaw (Poland), 13 and 14 January 2010.
- **MEETING OF THE GROUP “PREPARATION OF THE XX ANNIVERSARY OF EUROSAI”**, Lisbon (Portugal), 26 January 2010.
- **MEETING OF THE WORKING GROUP FOR THE PREPARATION OF THE VIII EUROSAI CONGRESS**, Lisbon (Portugal), 26 January 2010.
- **SEMINAR OF THE EUROSAI WORKING GROUP ON ENVIRONMENTAL AUDIT “AUDITING CLIMATE CHANGE”**, Copenhagen (Denmark), 23 and 24 March 2010.
- **MEETING OF THE TASK FORCE “EUROSAI STRATEGIC PLAN”**, Warsaw (Poland), 19 to 21 April 2010.
- **XVIII OF THE EUROSAI TRAINING COMMITTEE MEETING**, Paris (France), 10 and 11 May 2010.
- **MEETING OF THE WORKING GROUP FOR THE PREPARATION OF THE VIII EUROSAI CONGRESS**, Lisbon (Portugal), 14 May 2010.
- **INTOSAI CONFERENCE “STRENGTHENING EXTERNAL PUBLIC AUDITING IN INTOSAI REGIONS”**, Vienna (Austria), 26-27 May 2010.
- **SEMINAR OF THE EUROSAI INFORMATION TECHNOLOGY WORKING GROUP (ITWG) “AN INSIGHT INTO NEW APPROACHES FOR BRIDGING THE TAX GAP: VAT FRAUD”**, Ljubljana (Slovenia), 7 and 8 June 2010.
- **IV MEETING OF THE TASK FORCE “EUROSAI STRATEGIC PLAN”**, Warsaw (Poland), 16 to 18 June 2010.
- **MEETING EUROSAI TASK FORCE “AUDIT OF FUNDS ALLOCATED TO DISASTERS AND CATASTROPHES”**, Kiev (Ukraine), 24 and 25 June 2010.
- **MEETING OF THE TASK FORCE “EUROSAI STRATEGIC PLAN”**, Warsaw (Poland), 1 and 2 September 2010.
- **PLENARY MEETING OF THE EUROSAI ENVIRONMENTAL AUDIT WORKING GROUP AND SEMINAR “SUSTAINABLE ENERGY”**, Texel (The Netherlands), 4 to 7 October 2010 .
- **MEETING OF THE WORKING GROUP FOR PREPARING THE VIII EUROSAI CONGRESS (THEMES I.A AND II)**, Lisbon (Portugal), 22 October 2010.
- **JOINT SEMINAR EUROSAI AND CONTACT COMMITTEE OF SAIS OF THE EUROPEAN UNION “AUDIT OF THE COMMON AGRICULTURAL POLICY”**, Prague (Czech Republic), 25 to 27 October 2010.
- **ANNUAL MEETING BETWEEN THE PRESIDENCY AND THE SECRETARIAT OF EUROSAI**, Madrid (Spain), 3 November 2010.
- **XXXVI EUROSAI GOVERNING BOARD MEETING**, Madrid (Spain), 4 November 2010.
- **MEETING OF THE TASK FORCE “EUROSAI STRATEGIC PLAN”**, The Hague (The Netherlands), 9 and 10 November 2010.
- **SEMINAR OF THE EUROSAI IT WORKING GROUP “POS-**



SIBLE IT SOLUTIONS FOR ROLLING BACK THE GREY ECONOMY", Moscow (Russian Federation), 9 and 10 November 2010.

- **MEETING OF THE WORKING GROUP FOR PREPARING THE VIII EUROSAI CONGRESS (THEME I.B)**, Lisbon (Portugal), 12 November 2010.

- **XX INCOSAI**, Johannesburg (South Africa), from 22 to 27 November 2010.

- **COMMEMORATION EVENT OF THE XX ANNIVERSARY OF EUROSAI**, Johannesburg (South Africa), 26 November 2010. ●

Advance of the EUROSAI Agenda 2011

- **JOINT SEMINAR EUROSAI-CONTACT COMMITTEE OF SAIS OF THE EUROPEAN UNION "THE AUDIT OF PUBLIC-PRIVATE PARTNERSHIPS"**, Bonn (Germany), 9 to 11 February 2011.

- **PLENARY MEETING OF THE EUROSAI INFORMATION TECHNOLOGY WORKING GROUP (ITWG)**, Turkey, 21 and 22 February 2011.

- **III JOINT CONFERENCE EUROSAI-ARABOSAI**, Abu Dhabi (Arab Emirates), 29 and 30 March 2011.

- **VIII EUROSAI CONGRESS**, Lisbon (Portugal), 30 May to 2 June 2011.

- **I JOINT CONFERENCE GOVERNING BOARDS EUROSAI-ASOSAI**, Istanbul (Turkey), September 2011. ●

Appointments on EUROSAI SAIs in 2010

- **THE COURT OF ACCOUNTS OF FRANCE**, Mr. Didier Migaud was designated President of the French SAI.

- **THE NATIONAL AUDIT OFFICE OF LITHUANIA**, Ms. Giedrė Švedienė, new Auditor General of the Republic of Lithuania.

- **THE COURT OF ACCOUNTS OF ITALY**, Mr. Luigi Giampaolino, elected President of the Italian SAI.

- **THE NATIONAL AUDIT OFFICE OF SWEDEN**, Ms. Gudrun

Antemar, new Auditor General of Sweden.

- **THE STATE AUDIT OFFICE OF HUNGARY**, Mr. László Domokos, new President of the Hungarian SAI.

- **THE HELENIC COURT OF AUDIT**, Mr. Ioannis Karavokiris, was designated new President of the Hellenic Court of Audit.

- **THE STATE AUDIT OFFICE OF CROATIA**, Mr. Ivan Klešić, new Auditor General of the SAI of Croatia. ●



Obituary of Mr. Philippe Séguin, Premier President of the French Cour des Comptes

Mr. Philippe Séguin, Premier Président de la *Cour des comptes de France*, passed away on January 7th, 2010, in Paris (France).

Since his appointment in July 2004 as the Head of the *Cour des comptes*, Philippe Séguin deeply and significantly transformed and modernized the Cour, with the concern to place the control of public finance at the utmost of republican and democratic values.

Defending the independence of audit institutions, he had a high and demanding view of role of the *Cour* at the service of the citizen.

Member of Parliament, Minister, President of the National Assembly, and Premier Président de la *Cour des Comptes*, Philippe Séguin occupied a prominent place in the French political life, which inspired a unanimous homage and tribute. ●





**INFORMATION:
EUROPEAN UNION**

Meeting of the Heads of the Supreme Audit Institutions (SAIs) of the European Union (Luxembourg, 18-19 October 2010)

The 2010 annual meeting of the Contact Committee of the Heads of the EU SAIs was hosted by the European Court of Auditors (ECA), under the Presidency of the French SAI. The Heads of the SAIs of the Candidate Countries – Turkey, Croatia, the former Yugoslav Republic of Macedonia – as well as representatives of EUROSAI, SIGMA and IDI attended as active observers.

The adoption of the Treaty of Lisbon has opened a lively debate on the impact of its new provisions on the management and scrutiny of EU funds. Thus, this year, the Contact Committee provided a forum for considering the consequences of the Treaty on the audit of EU funds as well as the new role of national parliaments in monitoring the subsidiarity principle and their involvement in the management of EU funds.

Several guest speakers were invited to provide information on the various historical, legal, institutional or political aspects of this question: Jean Laporte, Director of the European Affairs Department of the French Senate, Colette Fleisch, a former Luxembourg Foreign Minister and former Member of the Luxembourg and European Parliaments, and Edward Leigh, a member of the British House of Commons and former Chairman of the Public Accounts Committee. Likewise, Tuomas Poysti, Gilherme d'Oliveira Martins and Jacek Jezierski, Heads of the SAIs of Finland, Portugal and Poland, contributed to the debate by presenting their national perspectives and experiences.

The presentations highlighted, among others issues, that care should be used when applying the principle of subsidiarity (especial-

ly within the realm of EU budget management) and when expanding the scope of the Financial Regulation to the Member States' obligations and tasks in the control and audit of the implementation of the EU budget. In addition, the Commission's proposal for a new Financial Regulation raised questions about the scope of the national declarations and the independent audit body in charge of giving the opinion on the declaration. The ensuing discussion focused on the role of the SAIs in supporting their parliaments; the importance of guaranteeing the effectiveness of the EU funds managed by Member States, beside its legality and regularity; and the need to simplify the rules without forgetting the accountability.

The debate also identified some open questions. National parliaments have to assume their EU



role but, how to make it a reality? How could the SAIs contribute to their success? As EU budget, how can the Financial Regulation accommodate the fact that while the Commission is accountable for the sound financial management of the EU budget, its responsibility for the management of the majority of expenditure is shared with the Member States? And finally, how might relations between the national SAIs and the ECA develop in the years to come?

As regards current issues, discussion focused for the most part on the revision of the EU Financial Regulation. Vítor Caldeira, President of the ECA, presented the latest developments and the SAI of Austria introduced its Communication on the revision of the Financial Regulation in the light of national statements. The European Commissioner for Taxation, Customs Union, Audit and Anti-Fraud, Algirdas Šemeta, was invited to present the main features of the Commission's proposal. His intervention referred to the annual management declaration of assur-

ance, the tolerable risk of error and the way towards an unqualified DAS.

The Committee also had the opportunity to exchange experiences on audits of EU funds. The SAI of Denmark informed that his Report on the audit of EU funds 2009 would include the results of a coordinated audit of EU Regional Funds projects with the SAI of Poland. This cooperation on EU audit through concrete and small-scale coordinated projects could be a promising way forward. The SAI of the Netherlands presented the results of an audit on the compliance with European policy, regulations and rules on counterfeit goods in the Netherlands.

The remaining agenda items provided the Contact Committee with an overview of the status of the various activities on which SAIs currently cooperate. Information was provided on the "Common Agricultural Policy" (a joint training event of the Contact Committee and the EUROSAI) and the "Public Private Partnerships" seminars, to be held by the end of 2010

and in early 2011; the chairs of the Fiscal Policy Audit Network and the Network on the Lisbon Strategy / Europe 2020 Audit reported on their activities during 2010 and their plans for 2011; the partners of the TEN-T coordinated audit announced that the workshop for presenting the results would take place in March 2011; and furthermore, the Contact Committee selected two new activities to be started in 2011. Lastly, the working groups presented their activities during 2010 and their work plans for 2011, and the Network of SAIs of the Candidate and Potential Candidate Countries gave a brief overview of their activities.

The next meeting of the Contact Committee will be held in October 2011 in Luxembourg hosted by the European Court of Auditors, whose president is acting chair of the Contact Committee in 2011.

Information on the Contact Committee's activities, meetings and resolutions can be found on www.contactcommittee.eu ●

Annual Report on the Implementation of the Budget Concerning the 2009 Financial Year

On 9 November 2010, the European Court of Auditors published its Annual Report on the implementation of the 2009 EU budget. This is the Court's 33rd Annual Report and covers the 2009 financial year. Commitments totalling 142,5 billions euros and payments totalling 118,4 billion euros were made.

The Court's Annual report, together with its special reports, provides the basis for the discharge procedure. In addition, the Court is this year, for the first time, forwarding its Annual Report to national parliaments at the same time as to the European Parliament and the Council, as provided for under Protocol No 1 to the Treaty of Lisbon.

The report is organised as follows: Chapter one provides the Court's Statement of Assurance (the "DAS") on the reliability of the annual accounts of the European Union and on the legality and regularity of transactions, as well as a summary of the principal results on these issues; and Chapters 2 to 9 provide detailed audit findings in



the form of “specific assessments” of EU revenue and expenditures, structured around groups of policy areas.

In the Court’s opinion, the 2009 **annual accounts** of the European Union present fairly, in all material aspects, the financial position of the Union as of 31 December 2009, and the results of their operations and cash flows for the year ended, in accordance with the provisions of the Financial Regulation and the accounting rules adopted by the Commission’s accounting officer.

This is the third consecutive year that the Court has found the accounts to be free from material misstatements, and hence reliable.

As regards the **legality and regularity of the transactions** underlying the accounts, for 2009 the Court gives an unqualified opinion on revenue and on commitments, as in previous years. However, payments from the budget continue to be materially affected by error, except in two areas of expenditure: Administrative and other expenditure (€ 9,1 billion) and Economic and financial affairs (€ 0,7 billion).

In all other areas of expenditure, the Court found material levels of error.

In **Agriculture and natural resources** (€ 56,3 billion), the Court estimated the level of error is somewhat higher than in 2008. However, the result is consistent with the Court’s assessments in both years that systems are only partially effective. The Court recommends reducing the risk of error by improving the quality of information in the databases used for establishing entitlements and calculating payments and by clarifying and enforcing rules on land usage and maintenance.

Cohesion (€ 35,5 billion) remains the only budgetary area where the estimated error rate is over 5%. Most errors found related to serious failures by national authorities in applying the rules on public procurement and to the reimbursement of ineligible costs. Many errors could and should have been detected and corrected by Member States before certifying expenditure to the Commission, as the audit shows they had the information to do so. The Court identifies scope for national authorities to improve the regularity of spending.

Research, energy and transport (€ 8 billion) continues to be affected by a material level of error, although to a lesser extent than in previous years. Most errors relate to the reimbursement of overstated personnel and indirect costs claimed by beneficiaries involved in research projects.

In **External aid, development and enlargement** (€ 6,6 billion) the situation remains similar to last year: payments are materially affected by error and control systems partially effective. Most errors relate to the eligibility of expenditure and non compliance with rules on procurement.

Lastly, in the EU budget area **Education and citizenship** (€ 2,2 billion), the Court found that Com-

mission systems left undetected and uncorrected a material level of error in the programmes and projects from previous programming periods that were closed during 2009.

Comparing this year’s results to last year, the Court’s estimate of the most likely error in Cohesion spending was significantly lower than in previous years; and for the budget as a whole, the Court’s estimate of error has fallen over recent years. However, a degree of caution is necessary before drawing any conclusions about a trend in Cohesion. Moreover, there is no guarantee that the overall fall in the estimated error rate over recent years will continue so long as systems covering the vast majority of the budget remain only partially effective.

Finally, although the Commission has improved the information it provides on recoveries of irregularly paid amounts and other corrections, this information is not yet completely reliable, and can not be meaningfully compared with the Court’s estimated error rate.

The Court’s Annual Report on the implementation of the 2009 EU budget and previous Annual Reports can be found on <http://eca.europa.eu> ●

Other reports and opinions issued by the European Court of Auditors

The European Court of Auditors has adopted the following **special reports** since the beginning of 2010:

Special Report No 1/2010 – Are simplified customs procedures for imports effectively controlled?

Special Report No 2/2010 – The effectiveness of the Design Studies and Construction of New Infrastructures support schemes under the Sixth Framework Programme for Research

Special Report No 3/2010 – Impact Assessments in the EU institutions: do they support decision-making?

Special Report No 4/2010 – Is the design and management of the Leonardo da Vinci programme likely to lead to effective results?

Special Report No 5/2010 – Implementation of the Leader approach for rural development

Special Report No 6/2010 – Has the reform of the sugar market achieved its main objectives?

Special Report No 7/2010 – Audit of the clearance of accounts procedure

Special Report No 8/2010 – Improving transport performance on trans-European rail axes: Have EU rail infrastructure investments been effective?

Special Report No 9/2010 – Is EU Structural Measures spending on the supply of water for domestic consumption used to best effect?

Special Report No 10/2010 – Specific measures for agriculture in outermost regions and the small Aegean islands

Special Report No 11/2010 – The Commission's management of General Budget Support in ACP, Latin American and Asian Countries

Special Report No 12/2010 – EU Development Assistance for Basic Education in Sub-Saharan Africa and South Asia

Special Report No 13/2010 – Is the new European Neighbourhood and Partnership Instrument successfully launched and achieving results in the Southern Caucasus (Armenia, Azerbaijan and Georgia)?

Special Report No 14/2010 – The Commission's management of the system of veterinary checks for meat imports following the 2004 hygiene legislation reforms

In addition, the Court must be consulted for its Opinion prior to the adoption of financial regulations and anti-fraud legislation. The other institutions may also ask the Court for an Opinion. The following **opinions** have been issued since the beginning of 2010:

Opinion No 1/2010 – Improving the financial management of the European Union budget: Risks and challenges

Opinion No 2/2010 – on the SESAR Joint Undertaking Financial Rules

Opinion No 3/2010 – on a proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applica-

ble to the general budget of the European Communities

Opinion No 4/2010 – on a proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, as regards the European External Action Service

Opinion No 5/2010 – concerning a proposal for a regulation of the European Parliament and of the Council amending the Staff Regulations of Officials of the European Communities and the Conditions of Employment of Other Servants of those Communities

Opinion No 6/2010 – on a proposal for a regulation of the European Parliament and of the Council on the Financial Regulation applicable to the general budget of the European Union

Finally, 37 **specific annual reports** on the European agencies and other decentralized bodies were approved in 2010. Each report includes an opinion on the reliability of their 2009 financial statements and on the legality and regularity of their underlying transactions.

All Court reports and opinions that are published in the Official Journal of the European Union can be found on the Court's website – <http://eca.europa.eu>. ●



Revision of the Court's Rules of Procedure and their Implementing Rules

The enlargements of 2004 and 2007 have had considerable consequences for the European Court of Auditors as they have for the other European Institutions. The accession of new Member States resulted in an increase in the number of the Court's Members from 15 to 27 as well as a considerable rise in its workload, staff numbers and budget.

In order to adjust to these new demands as efficiently and effectively as possible, the Court launched an administrative reform process involving an independent peer review. A key element of the reform process was an internal review of the Court's current governance structure and Rules of Procedure with the purpose of making recommendations on how to improve decision making and management in the context of an expanded College and a growing institution.

The main recommendation of the internal review of governance arrangements was that the Court should implement the option provided in Article 287(4) of the TFEU for the adoption by Chambers of certain categories of its reports and opinions. Implementing this change required the Court, with the approval of the Council, to amend its Rules of Procedure.

Following the Council's approval, the Court adopted its new Rules of Procedure and their Implementing Rules on 11 March 2010. They entered into force on 1 June 2010. The Audit Groups were replaced by Chambers. The Court organised in five Chambers, to which all Members other than the President are assigned. There are four Chambers with responsibility for the audit of specific areas of revenue and expenditure (vertical Chambers), and one horizontal Chamber responsible for Coordination, Evaluation, Assurance and Development

(so called CEAD). The Members of each Chamber elect a Dean for a renewable term of two years.

Each Chamber adopts special reports, specific annual reports and opinions, subject to certain conditions designed to maintain the collegiality of the Court, relating to its domain of responsibility. In addition, Chambers are responsible for preparing the reports and opinions which require a decision by the full College of the Court, such as for the adoption of the Annual Reports on the general budget of the EU and the European Development Funds. In these cases documents must be discussed and approved by the relevant Chamber before being submitted to the Court.

The Court's new organization chart is available at <http://eca.europa.eu>. ●

New members join the European Court of Auditors

Turing 2010, the following new Members of the European Court of Auditors were appointed: Mr Eoin O'Shea (Ireland), Mr Istvan Szabolcs Fazakas (Hungary), Mr Louis Galea (Malta), Mr Ladislav Balko (Slovakia), Mr Augustyn Bronislaw Kubik (Poland), Mr Milan Martin Cvikl (Slovenia), Mrs Rasa Bud-

bergytė (Lithuania), Mr Lazaros Lazarou (Cyprus) and Mr Gijs M. De Vries (Netherlands).

In addition, the mandates of the following Members of the Court were renewed by the Council: Mr Igors Ludboržs (Latvia), Mr Jan Kinšt (Czech Republic) and Mrs Kersti Kaljulaid (Estonia).

Members of the Court are required by the Treaty on the Functioning of the European Union (TFEU) to be completely independent in the performance of their duties, in the European Union's general interest. ●



Europe 2020

Successor of the Lisbon strategy: promising enough?¹

The Lisbon strategy, and its successor Europe 2020, relates to important policy areas in which the European institutions have little if any power to harmonise laws and rules, such as employment, social affairs, education and industry.

The Lisbon Strategy (2000-2010), a strategy for sustainable growth and jobs in Europe, is widely considered to have been poorly implemented by the member states, partly due to shortcomings of the strategy itself. The EU's new ten-year strategy 'Europe 2020' will also contain a series of policy objectives and targets to boost the EU's economic performance, including structural reforms in order to help Europe recover from the crisis. Will it make a difference? In order to answer this question we will first have to look into the problems of its predecessor. The Netherlands Court of Audit has published an audit report on 23 September 2009 (NCA 2009) in which she investigated the way the Dutch government reports to the European Commission and the Dutch House of Representatives on the progress of national policy efforts to achieve the Lisbon strategy. In the following paragraphs we will address the relevance of the audit topic, briefly explain our audit method, summarize our main conclusions, put forward some first ideas about the potential success of Europe 2020. To conclude, we put forward some suggestions for audits on Europe 2020, to be carried out by audit offices of EU member states and the European Court of Auditors (ECA).

1. Relevance of the audit topic

The Lisbon strategy, and its successor Europe 2020, relates to

important policy areas in which the European institutions have little if any power to harmonise laws and rules, such as employment, social affairs, education and industry. To bring about at least some form of harmonisation, the open method of coordination (OMC) was adopted. Among the most important characteristics of OMC are: voluntary cooperation, commonly agreed goals at EU level and periodic monitoring, evaluation, peer review and learning from best practices. The European Commission monitors the progress of the strategy. But the success of the strategy is dependant on the member states' policy efforts.

2. Audit approach

To properly inform both the European Commission and the House of Representatives about the results of the Lisbon strategy in the Netherlands, it is essential for the government to have high quality policy information that provides an insight into the extent and way in which the agreed goals are being achieved and at what costs. Therefore the core question of our 2009 audit was, whether the Dutch government adequately reports on these matters in its annual Lisbon reports. In order to answer this question we assessed the quality of the policy information on national measures, planned and actual expenditure and policy's performance and effectiveness. We also assessed the quality of Euro-

¹ By Mariska Streppel-Kroezen, Sara Berglund and Erik Israël, SAI of The Netherlands.



pean and national policy goals. We did this by analyzing policy papers, conducting interviews with civil servants at national and European level and by using statistical data from Eurostat and Statistics Netherlands. To back up our audit opinion, we took a closer look at three policy themes: lifelong learning, entrepreneurship and female labour participation. Two main audit criteria we applied were: 1) are policy goals SMART?; 2) is the policy information provided to the House of Representative and the European Commission relevant, reliable, valid and comparable?

3. Main problems of the Lisbon strategy (2000-2010)

The main conclusion we could draw from our audit was that a series of conditions necessary for an effective strategy were still not in place for the revised Lisbon strategy². There were too many goals and their formulation was of poor quality. Furthermore EU-indicators did not always satisfy the criteria of relevance and international comparability, and national Lisbon reports had little practical value (NCA, 2009).

Complex labyrinth of EU goals: too many and not concrete

One of the main objections against the Lisbon strategy has been that it had little focus. Many policy areas, with a large number of goals, guidelines, priorities and indicators were part of it, without a clear and coherent framework how these elements related to each other. Moreover, many of the goals were not specific or measurable: for example the objectives ‘facilitate all forms of innovation’ and

‘promote enterprise’. Also quantitative targets were often missing.

It is inherent to the process of OMC that member states have to reach compromises, because of the divergent positions of the 27 member states. In the Lisbon strategy the result has been that a large share of the goals formulated at EU level have a high level of abstraction. Consequently, member states may interpret them differently and give preference to their own policy priorities. Yet the key strength of OMC is that member states can make comparisons, learn from one another and hold those lagging behind accountable for their poor performance. The ability to benefit from this strength has been limited. Furthermore, because in practice the EU targets were set by the countries with the weakest starting positions, member states that already scored comfortably above the EU average, had little incentives to make additional efforts in that policy area.

Relevance and comparability of indicators: some bottlenecks

Benchmarking is a useful instrument to make comparisons between member states and it can increase peer pressure (as was foreseen in the strategy). However, sometimes indicators were irrelevant or not comparable. The following examples illustrate problems the Netherlands and other member states encountered with the EU Lisbon goals for female labour participation and lifelong learning. The EU-indicator for female labour participation (“60% of all women aged 15 to 64 have a job”) does not include a lower limit on the number of hours worked and is therefore of limited relevance to countries with a high proportion of

We also assessed the quality of European and national policy goals.

The main conclusion we could draw from our audit was that a series of conditions necessary for an effective strategy were still not in place for the revised Lisbon strategy.

Many of the goals were not specific or measurable: for example the objectives ‘facilitate all forms of innovation’ and ‘promote enterprise’.

Benchmarking is a useful instrument to make comparisons between member states and it can increase peer pressure.

² The strategy has been relaunched in 2005 after a critical review by a task force chaired by Dutch former prime minister Kok (Kok, 2004).

Most of the Lisbon reports contained little systematic or concrete information on the performance and effects of the government's policy.

We are of the opinion that some characteristics of Europe 2020 are markedly different from the Lisbon strategy and that they may lay the grounds for future success.

If member states don't show enough progress or action, the Commission can give them a warning.

part-time jobs, because the average number of hours worked by female employees is typically low. With regard to the indicator for lifelong learning ("at least 12,5% of adult population should participate"), the problem is that the indicator does not consider the type, duration, content or level of education. For example, a 'learning activity' could be anything from a university course to a flower-arranging course.

Shortcomings in Lisbon reports

Most of the Lisbon reports contained little systematic or concrete information on the performance and effects of the government's policy. The Dutch National Reform Programme 2008-2010 (Ministry of Economic Affairs, 2007) for example is forward-looking, concentrates mainly on new measures and provides little information on the status of measures considered in earlier Lisbon reports. The Dutch Lisbon reports were certainly no exception in the EU, although a few good practices did exist (Pisani-Ferry & Sapir, 2006). Taking into consideration their various shortcomings, it is questionable whether the European Commission was able to use the Lisbon reports to effectively monitor and compare results at European level.

4. Europe 2020: promising enough?

We are of the opinion that some characteristics of Europe 2020 are markedly different from the Lisbon strategy and that they may lay the grounds for future success. In general, we see three noteworthy differences. Firstly, there are improvements concerning the number of objectives and the structure. For Europe 2020 the number of Euro-

pean 'integrated guidelines' has been brought back from 24 to ten. Europe 2020 also contains a small number of EU headline objectives (five) which all contain quantitative targets. And there is a greater degree of coherence with seven flagship initiatives supporting the five headline objectives, although this does not apply to 'a digital agenda' and 'industrial policy'. Secondly, the member states will have to translate the EU targets into specific and differentiated national targets, depending on their starting position (European Council, 2010). Thirdly, the architecture of Europe 2020 differs from the Lisbon strategy in the sense that the former is based on a stronger link between macro-economic stability, public finance and micro-economic and employment objectives. This means that Europe 2020 and stability and growth pact reporting and evaluation will be carried out simultaneously (European Commission, 2010).

On the other hand, the monitoring and control processes of the Europe 2020-results seem still to resemble those of the Lisbon strategy. The biggest change is that the European Commission, based on the Lisbon Treaty (art. 121), has a new instrument at its disposal: recommendations with a time schedule. If member states don't show enough progress or action, the Commission can give them a warning. However, be warning are not legally binding, the difference with the past may not be very large.

Whether Europe 2020 will be more focused than its predecessor and will have more than just symbolic value, depends to a large extent on the ownership and commitment at all political levels in the member states. On the one hand, the slow and complex process of reaching consensus on the contents and governance of Europe



2020 may be worrisome. On the other hand, due to the serious public debt problems in most of the EU countries, the pressure for a stronger engagement to coordinate economic and social policy in the EU will be prominently present in the discussions.

5. Contribution of supreme audit institutions

The supreme audit institutions (SAIs) in the EU could contribute to Europe 2020 by auditing the implementation of this strategy in their respective member states. Furthermore the ECA could gain insight into the monitoring and evaluation role by the European Commission. The combined efforts of member state SAIs and ECA might lead to an overview of the success of Europe 2020 and to spreading good practices in implementing Europe 2020 over Europe. The September 2010 *Workshop on the Lisbon and EU 2020 Strategies and role of the SAIs*, organised by the Contact Committee's Network on Audit of Lisbon and EU 2020 Strategies, is a great starting point for this hopefully collective adventure.

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XX ANNIVERSARY OF EUROSAI

ABOUT EUROSAI:

- **EUROSAI CHRONOLOGY**
 - **EUROSAI AT A GLANCE**
 - **COMMEMORATIVE EVENT
OF THE XX EUROSAI ANNIVERSARY**
-

EUROSAI CHRONOLOGY

(1990-2010)

12-21 June 1989	Berlin (Germany)	XIII INTOSAI CONGRESS: "Berlin Declaration" on the constitution of a European Organisation of Supreme Audit Institutions
12-13 November 1990	Madrid (Spain)	EUROSAI CONSTITUENT CONFERENCE
14-15 November 1990	Madrid (Spain)	I EUROSAI CONGRESS: (EUROSAI Presidency: SAI of Italy)
16 November 1990	Madrid (Spain)	I EUROSAI GOVERNING BOARD MEETING
31 January - 2 February 1991	Madrid (Spain)	II EUROSAI GOVERNING BOARD MEETING
19-21 May 1992	Venice (Italy)	III EUROSAI GOVERNING BOARD MEETING
19 October 1992	Washington (USA)	IV EUROSAI GOVERNING BOARD MEETING (XIV INTOSAI CONGRESS)
22 October 1992	Washington (USA)	V EUROSAI GOVERNING BOARD MEETING
17 April 1993	Prague (Czech Republic)	VI EUROSAI GOVERNING BOARD MEETING
13 June 1993	Stockholm (Sweden)	VII EUROSAI GOVERNING BOARD MEETING
14-17 June 1993	Stockholm (Sweden)	II EUROSAI CONGRESS: (EUROSAI Presidency: SAI of Sweden)
16-17 June 1993	Stockholm (Sweden)	VIII and IX EUROSAI GOVERNING BOARD MEETINGS
2-3 December 1993	Palermo (Italy)	X EUROSAI GOVERNING BOARD MEETING
24-25 November 1994	Velence (Hungary)	XI EUROSAI GOVERNING BOARD MEETING
9 May 1995	Warsaw (Poland)	XII EUROSAI GOVERNING BOARD MEETING
13-14 February 1996	Östersund (Sweden)	XIII EUROSAI GOVERNING BOARD MEETING
19 May 1996	Prague (Czech Republic)	XIV EUROSAI GOVERNING BOARD MEETING
20-23 May 1996	Prague (Czech Republic)	III EUROSAI CONGRESS: (EUROSAI Presidency: SAI of Czech Republic)
23 May 1996	Prague (Czech Republic)	XV EUROSAI GOVERNING BOARD MEETING
24-25 April 1997	The Hague (The Netherlands)	XVI EUROSAI GOVERNING BOARD MEETING
23 June 1998	Lisbon (Portugal)	XVII EUROSAI GOVERNING BOARD MEETING
11-12 February 1999	Prague (Czech Republic)	XVIII EUROSAI GOVERNING BOARD MEETING
31 May 1999	Paris (France)	XIX EUROSAI GOVERNING BOARD MEETING
31 May – 4 June 1999	Paris (France)	IV EUROSAI CONGRESS: (EUROSAI Presidency: SAI of France) Setting up of the EUROSAI Working Group on Environmental Audit (WGEA)
3 June 1999	Paris (France)	XX EUROSAI GOVERNING BOARD MEETING
15 November 1999	Paris (France)	XXI EUROSAI GOVERNING BOARD MEETING
16 February 2000	Madrid (Spain)	XXII EUROSAI GOVERNING BOARD MEETING: Setting up of the EUROSAI Training Committee (ETC)
17-18 February 2000	Madrid (Spain)	I CONFERENCE EUROSAI-OLACEFS



XX ANNIVERSARY OF EUROSAI

EUROPEAN ORGANISATION OF SUPREME AUDIT INSTITUTIONS

29 March 2001	Ljubljana (Slovenia)	XXIII EUROSAI GOVERNING BOARD MEETING
31 May – 1 June 2001	Madeira (Portugal)	I SEMINAR EUROSAI-EURORAI
7 March 2002	Copenhagen (Denmark)	XXIV EUROSAI GOVERNING BOARD MEETING
27 May 2002	Moscow (Russian Federation)	XXV EUROSAI GOVERNING BOARD MEETING
27-31 May 2002	Moscow (Russian Federation)	V EUROSAI CONGRESS: <i>(EUROSAI Presidency: SAI of Russian Federation)</i> Setting up of the EUROSAI Working Group on Information Technology (ITWG)
31 May 2002	Moscow (Russian Federation)	XXVI EUROSAI GOVERNING BOARD MEETING
10-11 July 2002	Cartagena de Indias (Colombia)	II CONFERENCE EUROSAI-OLACEFS
7 June 2003	Copenhagen (Denmark)	II SEMINAR EUROSAI-EURORAI
28 October 2003	Rome (Italy)	XXVII EUROSAI GOVERNING BOARD MEETING
11-14 May 2004	London (United Kingdom)	III CONFERENCE EUROSAI-OLACEFS
7 September 2004	Vilnius (Lithuania)	XXVIII EUROSAI GOVERNING BOARD MEETING
30 May 2005	Bonn (Germany)	XXIX EUROSAI GOVERNING BOARD MEETING
30 May – 2 June 2005	Bonn (Germany)	VI EUROSAI CONGRESS: <i>(EUROSAI Presidency: SAI of Germany)</i>
2 June 2005	Bonn (Germany)	XXX EUROSAI GOVERNING BOARD MEETING
17-18 November 2005	Lima (Peru)	IV CONFERENCE EUROSAI-OLACEFS
11 September 2006	Reykjavik (Iceland)	XXXI EUROSAI GOVERNING BOARD MEETING
1-2 December 2006	Tunis (Tunisia)	I CONFERENCE EUROSAI-ARABOSAI
10-11 May 2007	Lisbon (Portugal)	V CONFERENCE EUROSAI-OLACEFS
13 September 2007	Bern (Switzerland)	XXXII EUROSAI GOVERNING BOARD MEETING
2 June 2008	Krakow (Poland)	XXXIII EUROSAI GOVERNING BOARD MEETING
2-5 June 2008	Krakow (Poland)	VII EUROSAI CONGRESS: <i>(EUROSAI Presidency: SAI of Poland)</i> Setting up of: <ul style="list-style-type: none"> • EUROSAI Task Force “Funds Allocated to Catastrophes and Disasters” • Task Force “EUROSAI Strategic Plan” • Task Force “Review of the EUROSAI Training Committee Structure” • Working Group “Good Practices Guide on Audit Quality”
5 June 2008	Krakow (Poland)	XXXIV EUROSAI GOVERNING BOARD MEETING
30-31 March 2009	Paris (France)	II CONFERENCE EUROSAI-ARABOSAI
13-16 May 2009	Margarita Island (Venezuela)	VI CONFERENCE EUROSAI-OLACEFS
23 June 2009	Kiev (Ukraine)	XXXV EUROSAI GOVERNING BOARD MEETING
4 November 2010	Madrid (Spain)	XXXVI EUROSAI GOVERNING BOARD MEETING
26 November 2010	Johannesburg (South Africa)	CONMEMORATION OF THE XX ANNIVERSARY OF EUROSAI (XX INTOSAI CONGRESS)



EUROSAI

CONSTITUTION:

- Established in Madrid (Spain), in November 1990, with 30 founding Members.

GENERAL OBJECTIVES OF THE ORGANISATION:

- Promoting professional and technical cooperation and mutual support among EUROSAI Members;
- Fostering exchange of information and experiences in the field of public finances auditing.

PRINCIPLES OF THE ORGANISATION:

- Equality of all EUROSAI Members;
- Right to free incorporation and separation;
- Respect for independence and juridical legal framework of each SAI.

LEGAL FRAMEWORK:

- EUROSAI Statutes
- EUROSAI Standards Procedures

STRUCTURE:

- The Congress;
- The Governing Board;
- The Secretariat.

MEMBERS:

- SAIs of Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, European Court of Auditors (ECA), Finland, The former Yugoslav Republic of Macedonia, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Kazakhstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Monaco, Montenegro, Norway, Poland, Portugal, Romania, Russian Federation, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, The Netherlands, Turkey, Ukraine, United Kingdom.



at a glance

HEADQUARTERS:

– Located at the SAI of Spain (EUROSAI General Secretariat)

OFFICIAL LANGUAGES:

– English, French, German, Russian and Spanish.

PUBLICATIONS:

- EUROSAI Magazine (annually)
- EUROSAI Newsletter (quarterly)

WEBSITE:

– www.eurosai.org

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Commemorative Event of the XX EUROSAI Anniversary



In the framework of the XX INCOSAI (Johannesburg, South Africa, 22-27 November 2010), the EUROSAI Members held a Meeting to commemorate the XX Anniversary of the Organisation, constituted in Madrid (Spain) in November 1990.

That Event, which took place on 26 November 2010 and included representatives from 43 EUROSAI SAIs, was opened by the President of the Organisation and President of the Supreme Audit Office of Poland, Mr. Jacek Jeziński.



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The first speaker was the Secretary General of EUROSAI and President of the Spanish Court of Audit, Mr. Manuel Núñez Pérez. He recalled the origins of the Organisation, its history, the steps taken and the challenges achieved during the course of it, along with the work undertaken by the Secretariat during these twenty years of existence.

The Auditor General of Denmark, Mr. Henrik Otbo, who took part in the Constitutive Conference and in the I Congress of EUROSAI in 1990, shared with attendants his memories of that event, and reflected on the expectations that were opened up on that date for the SAIs of Europe. The Presidents of the Accounts Chamber of the Russian Federation, Dr. Sergey V. Stepashin, and of the Court of Audit of Germany, Dr. Dieter Engels, Presidents of EUROSAI during the periods 2002-2005 and 2005-2008, respectively, also shared their experiences on the organisation of the V and VI Congress, and on the challenges which the Presidency of EUROSAI had represented for them and for their Institutions.





Commemorative Event of the XX EUROSAI Anniversary



Next, the current President of EUROSAI, Mr. Jezierski, who made also a presentation on the VII Congress, organised by the SAI of Poland, summarised the general lines of action of the Organisation at the present time, along with the projects and activities underway; all this with an eye on the future. Ms. Teresa Nunes spoke, on behalf of Mr. Guilherme d'Oliveira Martins, President of the Tribunal de Contas of Portugal and host of the VIII Congress of EUROSAI, to be held in Lisbon from 30 May to 2 June 2011. She offered information on the preparations for the VIII Congress, inviting EUROSAI members to take part and, thus, enriching the forums of discussion and debates.

The round of speeches ended with some words from the Secretary General of INTOSAI and President of the Court of Audit of Austria, Dr. Josef Moser, and from the President of INTOSAI and Auditor General of South Africa, Mr. Terence Nombembe. EUROSAI is the

European Regional Group of a larger Organisation – INTOSAI –, which gathers 189 SAIs from around the world. It was, therefore, essential to count in this twentieth anniversary with this global dimension which makes EUROSAI part of an integral and integrated whole,



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open to the promotion of internal and external cooperation. The role which EUROSAI represents within INTOSAI, and the contribution that it has made and will make in the

future in the development of the common strategy: these were precisely the essential points highlighted by the Secretary General and the President of INTOSAI.



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Following the commemorative session, a cocktails was offered in which participants continued to celebrate the twenty year anniversary of EUROSAI in an amicable and cordial atmosphere. ●

Commemorative Event of the XX EUROSAI Anniversary





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REPORTS AND STUDIES

XX Anniversary of EUROSAI

JACEK JEZERSKI

President of the Supreme Audit Office of Poland
Chair of the EUROSAI Governing Board

Dear Colleagues from EUROSAI member SAIs,
In democracy, it is indispensable to keep authorities accountable to the public since, according to the Lima Declaration of Guidelines on Auditing Precepts of 1977, “the orderly and efficient use of public funds constitutes one of the essential prerequisites for the proper handling of public finances and the effectiveness of the decisions of the responsible authorities”. Supreme Audit Institutions are bodies established to make such accountability feasible and effective.

INTOSAI is an international organisation that provides a global forum where Supreme Audit Institutions can discuss issues of mutual interest and exchange experiences. EUROSAI is one of the seven regional working groups of INTOSAI. It was established in 1990 with 30 members and thus this year we are celebrating its 20th anniversary.

Over these 20 years, we have grown into a community of as many as 50 members, which makes us one of the biggest and most diverse INTOSAI regional working groups. EUROSAI provides an effective regional forum for promoting mutual support, development and professional cooperation, and its members can find inspiration here and have an opportunity to exchange experience in the present times. The world around has changed a lot since 1990, when the iron curtain fell and Europe witnessed a new opening. Today, we all are mainly preoccupied with the financial crisis and the changing role of the state. The changing environment has made it necessary for our members to remain ever open to a reform. Being able to learn from others and to learn from closer and more distant neighbours’ experience and expertise has therefore proved to be of great importance. I believe that EUROSAI has always been an opportunity for all of us and I am happy today to say that we have not missed this opportunity. Over these last 20 years, we have completed a great number of joint projects, such as seminars, workshops, parallel audits, and we have met and kept in touch on all management and working levels.

Let me thank today all my predecessors chairing the EUROSAI Governing Board, namely the Heads of the SAIs of Italy, Sweden, the Czech Republic, France, the Russian Federation and Germany, for their ideas and efforts while presiding over our Organisation. I would also like to thank our Secretariat, kindly hosted by the Tribunal de Cuentas of Spain, for running all the administrative matters of EUROSAI, for supporting all the subsequent Governing Boards in fulfilling their tasks and for helping members fully participate in the Organisation’s life. My special thanks go to all of you who have agreed to serve as Governing Board members, to chairs and members of numerous working groups, task forces and committees, to leaders and participants of numerous projects successfully completed. This means my thanks go to all our member SAIs, as each of us has had a role to play.

We are entering the third decade of our Organisation’s life with several fresh ideas about how to go on and with a proposal to refresh our Organisation’s ways and routines. We can do it because we have worked hard for these twenty years to develop solid structures on which we can now build further. In the current term of the Governing Board, we would also like

The changing environment has made it necessary for our members to remain ever open to a reform.



Jacek Jezerski.

We are entering the third decade of our Organisation's life with several fresh ideas about how to go on and with a proposal to refresh our Organisation's ways and routines.

Within the EUROSAI Strategic Plan, we have defined four strategic goals, which are capacity building, professional standards, knowledge sharing, and governance and communication.

The implementation of the Strategic Plan is going to be regularly evaluated and a mid-term review is planned in 2014, towards the end of the next Congress period.

to propose some fresh ideas within the first Strategic Plan that we have been working on. This task was entrusted to the Governing Board by the 7th EUROSAI Congress that gathered in Kraków in June 2008.

Why do we need such a plan? First of all, to implement effectively the INTOSAI Strategy in the European region and to make use of INTOSAI products and tools, as well as to further develop public sector auditing in Europe. We also need the Plan to help us allocate our scarce resources in the wisest way possible. Now, at the time of global crisis, resources that can be assigned to international activity have become even less available, which makes us yet more responsible while proposing how we want to use the effort, work and time that SAIs are willing to dedicate to EUROSAI cooperation.

Within the EUROSAI Strategic Plan, we have defined four strategic goals, which are capacity building, professional standards, knowledge sharing, and governance and communication.

As far as capacity building is concerned, EUROSAI would like to develop a framework for its members to exchange information and good practices, and in this way to contribute to the development of individual SAIs' skills, expertise, working methods and structures, in order to make their work more effective.

Within this process, EUROSAI recognises the need for promoting the implementation of the INTOSAI Standards of Supreme Audit Institutions and other relevant professional standards, which has thus been defined as the second strategic goal.

The third strategic goal, namely knowledge sharing, is to combine the existing EUROSAI activities in the area of knowledge, information and experience exchange with new activities, such as strengthening cooperation with other international organisations of auditors. The Plan also recognises the significance of cooperative audit projects that contribute to learning and sharing of knowledge and experiences.

While goals 1, 2 and 3 address specific areas of EUROSAI activity, goal 4 is designed to align the whole of EUROSAI's organisation and functioning with these three goals, thus ensuring the highest quality standards, as well as to support the Governing Board.

The implementation of the Strategic Plan is going to be regularly evaluated and a mid-term review is planned in 2014, towards the end of the next Congress period.

Let me stress that to make this Plan a success, we will need continuous support and active involvement of all our Members, including the allocation of the financial, human and material resources. But first of all, we will need your good will and openness that you have shown in the two past decades of our Organisation's existence. I hope that this effort will prove worthwhile.

Let me wish you, Dear Colleagues, all the best for the coming year 2011, as well as all the best for the next decades of our Organisation's functioning. Happy New Year to all of you and see you in Lisbon at the 8th EUROSAI Congress next May.

Warsaw, December 2010. ●



EUROSAI 1990-2010: Twenty years working together with shared challenges

MANUEL NÚÑEZ PÉREZ
President of the Court of Audit of Spain
Secretary General of EUROSAI



Manuel Núñez Pérez.

EUROSAI is already twenty years old. This is, therefore, a good moment to take a look back and draw up a balance of what has been done. It will allow us to evaluate the goals achieved and examine the challenges that we have in front of us, so that they can be tackled responsibly.

Past, present and future meet in the XX anniversary of EUROSAI, and so a halt in the present allows us to travel to the past with a view to the future, in order to improve it from what has been experienced and to project it with the baggage of the lessons learnt. A sound foundation in the past, traversed with an open and generous spirit and with the hand outstretched to offer and receive support and collaboration, is the key to planning a future in an orderly way and with the willingness to progress. A future that offers us interesting challenges that open up magnificent scenarios for supreme audit institutions (SAIs), in which they can contribute to strengthening of external control at the European level, and more broadly, at the global level, developing the objectives of our Organization and, through its exercise, collaborating in making the common strategy of INTOSAI effective.

I. EUROSAI: FROM A PROJECT TO A REALITY

EUROSAI was indeed born twenty years ago, though plans for its constitution go back quite a bit further. The first voices were already heard at the end of the sixties,

It is curious to compare how past and present go hand in hand, in view of the themes of that I Congress – “The control of public management” and “Proposals for a better and more effective development of EUROSAI” – which are, as up to date now, as they were in 1990.

The main aim of the Organization from its beginnings was to promote the exchange of knowledge and experiences, learning from each other “for the good of the States and for the good of those who govern our countries and, above all, for the good of taxpayers and citizens”.

with isolated initiatives arising that were setting the bases so that European SAIs could decide to work together in the area of auditing public funds. The VIII INTOSAI Congress, which took place in Spain in 1974, implied an important step along this path. But it was not until the XIII Congress of the Organization, held in Germany in 1989, that representatives of those European SAIs approved what was known as the “Berlin Declaration”: a resolution of principles by which they stated the intention to create a European organization (EUROSAI) as a Regional Group within INTOSAI. By means of that Declaration, a commission was also set up, consisting of representatives of seven countries: France, Hungary, Italy, United Kingdom, Sweden, Switzerland and Spain. Its task was to debate outstanding questions and the requisites for deciding on membership of the SAIs of each State, along with preparing a constitutive congress and drawing up some statutes for the Organization.

The Constitutive Conference and I Congress of EUROSAI commenced on 12 November 1990, with Madrid (Spain) as headquarters. This I Congress also sought to act as the starting point for promoting mutual knowledge among its members. It is curious to compare how past and present go hand in hand, in view of the themes of that I Congress – “The control of public management” and “Proposals for a better and more effective development of EUROSAI” – which are, as up to date now, as they were in 1990. Also, if one goes over the minutes, it can be seen that the aim of the I Congress coincides with the wishes that continue to motivate us today, since “it placed its emphasis on the common challenges which SAIs have to face”, being “the spirit” which was instilled then among them “to cooperate and combine their efforts with the desire to solve the problems and difficulties that are arising in these last few years...”.

The wish was for EUROSAI to provide a response and a value added for its members, adapting its activities to their expectations. The main aim of the Organization from its beginnings was to promote the exchange of knowledge and experiences, learning from each other “for the good of the States and for the good of those who govern our countries and, above all, for the good of taxpayers and citizens”. For that end, it was seen how useful it could be for the SAIs to set targets and strategies and, if possible, rules of common interest –without this signifying uniformity–, with full respect for their independence and mandate.

It is variety that marks the stamp of each country. It is diversity which enriches the whole. Nevertheless, there exist common interests and concerns which we all share for the sake of contributing to a better management through the exercise of our competencies and functions.

II. EUROSAI: A PATH TOWARDS MATURITY

The economic-financial environment has evolved a great deal in the last twenty years. And, in this environment, public external control is established as an essential element of democratic states: a key function for guaranteeing sound, transparent and efficacious management, and for helping in the promotion of good governance. In order to carry out this function properly, there need to be SAIs that are independent, technically highly qualified and modern, which enjoy the maximum institutional respect and credibility, impact and public consideration, and which act according to strict ethical codes, applying auditing rules and following strategies and procedures that meet the highest international standards.

Auditing and the institutions that do this have to evolve with their own management, bearing in mind the needs and demands of society. An efficient auditing function cannot constitute an end in itself going no further than the mere examination of public management. Rather, it has to aspire to promote the improvement of the latter by means of proposals which will guide it along the paths of responsibility, ethics, efficacy and the wish to serve citizens.



In order to be efficient, external control must play the “early warning” role that corresponds to it, and evaluate the impact on public finances and the execution of policies, anticipate risks, and suggest improvements in systems, in organizations and in the management activity. This function must likewise make a technical contribution through the reports and recommendations issued by SAIs, to encourage the process of creation of standards supporting those improvements, and to promote the transformations themselves of the public sector. It equally has to be guaranteed that the audit institutions enjoy the maximum institutional respect, and credibility and public consideration of their function and of their results.

SAIs have to evaluate the impact of their own activity, in real terms of contributing to improving public management and good government, and the value added they provide for society. They have to seek the most suitable formulas for maximizing their results in this field. They have to make an effort to provide their actions with greater internal and external visibility, facilitating a greater and better knowledge of their work and contributing to raising the awareness of their relevance; which automatically leads to a greater credibility, effectiveness and public consideration.

It is fundamental to keep dialogue with citizens, public powers, governments and parliaments alive at all times, in a continual process of feedback that will allow SAIs to adapt themselves to demands and to respond to real needs and priorities.

EUROSAI, as an Organization, has not kept itself outside of these processes nor does it distance itself from these principles. And this can be clearly seen from its successive Presidencies, which have been occupied with great dedication, efficacy and brilliance by the SAIs of Italy (Mr. Giuseppe Carbone), Sweden (Mr. Ingemar Mundebo and Ms. Inga-Britt Ahlenius), the Czech Republic (Mr. Lubomir Volenik, who passed away suddenly in 2003 and whose memory I wish to dedicate my fond regards), France (Mr. Pierre Joxe), the Russian Federation (Dr. Sergey Stepashin), Germany (Dr. Dieter Engels), and the current Presidency, the SAI of Poland, led by Mr. Jacek Jezierski.

The EUROSAI Secretariat has also contributed during these twenty years to developing and providing an impetus for the Organization, via the exercise of the functions assigned to it and which are essentially aimed at facilitating its day to day running, to promoting communication among its members and to keeping them informed, and to carrying out the decisions adopted by Congress and the Governing Board. It is also the duty of the EUROSAI Secretariat to execute the budget for the Organization and to keep its accounts and records, offer it the necessary administrative support for its functioning, hosting and keeping its web site, and producing and distributing its periodical publications.

On this point I would like to make a special mention of the previous Secretaries General of EUROSAI, the successive Presidents of the Court of Audit of Spain, who preceded me: Mr. Adolfo Carretero – who also passed away prematurely –, Ms. Milagros García Crespo and Mr. Ubaldo Nieto de Alba, all of whom made great efforts so that our Organization could become converted into a major joint project. It is also only fair to make an express acknowledgement here of the commitment and work carried out, since the origins of EUROSAI – it could even be said from when it was just an idea – by Mr. Ramón Muñoz Álvarez, who was a member of the Plenary of our Institution and passed away last year, and who would have felt enormously proud to have participated in the celebration of our twenty years.

EUROSAI is the youngest Regional Group of INTOSAI, though its numbers have increased by two thirds since its constitution, and now includes fifty members. Its actions have also evolved to make itself more complex, specialized and diversified, in the setting of an international community undergoing permanent change and development. Having reached its maturity, EUROSAI can rely on solid pillars to support itself, and guidelines for marking its path.

Auditing and the institutions that do this have to evolve with their own management, bearing in mind the needs and demands of society.

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Our Organization has made special efforts to promote training in recent years, with the considerable support of its Training Committee – created in February 2000 – and to promote the exchange of information and experiences. The V EUROSAI Congress sought to put that commitment into practice, raising the Organization’s budget by fifty percent, and substantially increasing the available resources assigned to this area, which is so essential for the strengthening of audit institutions. In the VI EUROSAI Congress the first Training Strategy for the three year period 2005-2008 was approved, based on three priority targets: to delivery training through seminars and events, enhance professional exchange within SAIs and facilitate information sharing. With a view in the results of the evolution of the Strategic Plan for the previous three year period and the lessons learnt from it, the 2008-2011 Training Strategy – approved by the VII EUROSAI Congress – focused its actions on the promotion of training, knowledge and information sharing, and the institutional development of SAIs.

The training strategy of EUROSAI seeks to contribute towards promoting the training and qualification of SAI personnel, in order to develop and improve the skills and practices needed for performing their function. It also searches to promote the exchange of information and experiences, with the aim of expanding knowledge and promoting the use of best practices in the field of public sector auditing; and also to contribute to the institutional development for boosting strong, independent and multidisciplinary SAIs. The undertaking of this strategy has been fundamentally targeted at the identification of the needs of members of the Organization and of each of its sub-groups, and at facilitating and promoting the imparting of training. It is addressed at the examination of new learning methods, at encouraging greater cooperation among EUROSAI members and with other organizations and bodies, and at promoting and evaluating the training being imparted, so that it reaches the highest quality standards. Equally, work has been done on analysing the formulas for will maximize its impact and the financial contribution of the Organization to training, multiplying its effects, and in the search for formulas for improving the efficiency of EUROSAI communication tools as instruments for the promotion and dissemination of training.

Since 1999 various working groups and taskforces have been set up in EUROSAI – some with a vocation of permanence and others with a limited life for carrying out specific tasks or studies –, in order to analyse from a technical viewpoint certain questions of topicality and common interest in the field of control over public management. The actions of these working groups have been aimed at promoting cooperation, encouraging the exchange of experiences and of experts among the SAIs of Europe, at analysing the new realities in the field of management and at providing an impetus for the development of joint actions in their field of activity. These groups have maintained constant collaboration with the EUROSAI Training Committee, with the aim of jointly contributing to the development of training actions and institutional and professional development. In this way, the aim has been to coordinate actions and obtain the maximum synergies from joint activity.

It has also been a priority for EUROSAI to promote cooperation among its members, with INTOSAI and its Regional Groups, as well as with other partners with which it shares common interests, in the search for a reciprocal enrichment. In this framework, the Training Committee and the working groups of EUROSAI have maintained active and effective collaboration with the respective capacity building committees and working groups of INTOSAI and of its Regional Groups, the INTOSAI Development Initiative (IDI), as well as with external partners, such that the maximum joint benefit can be obtained from the efforts resulting from the execution of the respective strategies. By means of holding joint conferences every two years, EUROSAI maintains regular collaboration with OLACEFS -since 2000- and with ARABOSAI -since 2006-. EUROSAI is currently seeking to further this cooperation by trying to identify new areas and levels,

Having reached its maturity, EUROSAI can rely on solid pillars to support itself, and guidelines for marking its path.



as well as new partners – ASOSAI, the European Confederation of Institutes of Internal Auditing (ECIIA), among others – with which this can be put into practice.

Our Organization is aware of the importance of strengthening external control and of the development of independent and sound SAIs as firm pillars of democratic States. EUROSAI backs up with specific initiatives the firm commitment of INTOSAI in this regard, which is given formal recognition in its Lima and Mexico Declarations. Without independence and autonomy, SAIs would lose their *raison d'être*. That is why it is so important that INTOSAI and EUROSAI have become converted into defenders of these principles, with brave and committed measures and actions, with the great work of the Secretariat General of INTOSAI having to be highlighted in this regard.

EUROSAI has achieved full maturity. Its activity has become much more complex and diversified, and with it, it has felt the need to seek new formulas and management structures that would make it more specialized and efficient in undertaking its actions. The changes that have taken place in the field of economic-financial activity and the new challenges that these imply for SAIs, made it necessary that all the efforts, which EUROSAI was making by means of partial policies on training, exchange of experiences, cooperation and communication, would have a more homogenous and global approach. It would make it more consistent for obtaining the best synergies from its actions, at the internal and external levels. The international audit community has also undergone a major upheaval in this area. The XVIII INCOSAI implied a great step forward for INTOSAI which, with the aim of rationalizing its functioning and making it more efficient, encouraging a more active participation from its members, adopting firm leadership in drawing up of international audit standards for SAIs, and making institutional development and cooperation the cornerstones of its actions, approved its first Strategic Plan, 2005-2010, taking on important challenges with great success. EUROSAI could not remain outside of this impetus and, in its VII Congress (2008), it agreed to design a global strategy for the Organization, a task that was assigned to the Governing Board – which has the support of a taskforce set up ad hoc for the purpose –, and which will be presenting the draft EUROSAI Strategic Plan 2011-2017 to the VIII Congress (Lisbon, 2011).

III. COOPERATION: CORNERSTONE FOR STRENGTHENING AUDITING OF PUBLIC FUNDS

Even when our systems and procedures differ, we are aware -as were those who first created EUROSAI in 1990-, that we have a lot of points in common; that we share tasks, missions, expectations, limitations and projects. We also know that a lot more can be achieved together than by acting individually; and this is precisely the purpose that joins us.

There is no doubt that EUROSAI provides us with a diaphanous framework, a large space open to promoting cooperation and professional exchanges. The efforts made and the successes achieved by our Organization during its twenty years of existence in encouraging technical collaboration and furthering the study of topics of common interest are obvious.

EUROSAI contributes to bringing values closer, to sharing experiences that will lead to the search for shared standards and formulas, and to the design of models and practices that can be of use as a common guideline, helping to strengthen controls. But EUROSAI does not just provide a complement for our institutions via exchanges, rather, it has revealed itself to be an operating unit in its own right which, as an Organization, has created structures within itself, is developing its own strategy, and has established and strengthened its internal and external relations, acting under a single personality.

Only from this dual perspective will EUROSAI represent a value added for each of its members, and each one of its members for EUROSAI. Only thus will it be able to

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**EUROSAI
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formulas.**

contribute in its exercise to the global project of INTOSAI, thereby putting into practice its motto, “*Experientia mutua ómnibus prodest*”.

The future is always a goal to be achieved, an action on a permanent path. Sometimes, from the great distance of the present, it can seem like a mountain that is difficult to climb, but shared effort makes it a challenge that is within our reach. So, as the economist John Stuart Mill said: “*There is not a more accurate test of the progress of civilization, than the progress of the power of cooperation*”. ●



The role of SAIs in the fight against fraud and corruption

TRIBUNAL DE CONTAS OF PORTUGAL

1. Corruption, a worldwide scourge

As is well known, corruption is the cause of great concern on the part of Governments, Parliaments, agents of the justice and investigation sectors, and of all who operate in the area of public finance, whether decision-makers and managers or persons involved in supervisory and control activities. Also participating in the fight against this phenomenon are international organisations - the United Nations itself, the World Bank, the OECD and IMF, and the supreme supervisory organisations such as INTOSAI, EUROSAT, ASOSAI and OLACEFS.

In fact, today it is considered, consensually, that the phenomenon of corruption is a veritable scourge which must be fought against with the greatest determination, using all available means, and in the clear understanding that this is a fight which requires full cooperation at an international level. On this issue, it is important to note that corruption makes no political or economic distinctions and is present in all types of socioeconomic regimes and models, through bribery, the traffic of influences, extortion, falsification, collusion and conspiracy, amongst others.

The persistence, spreading and vulgarisation of corruption is favoured, in the socio-economic sphere, by the existence of high indices of poverty, in particular in countries with great disparities, where vast deeply deprived populations coexist with a small number, in relative terms, of persons of enormous wealth, situations which foster the generalisation of attitudes of indifference, resignation, tolerance or even acceptance of corruption. In the financial sphere, corruption is favoured by the lack of transparency of decisions, operations and procedures, and by deficient accountability,

especially on the part of the highest level of authorities in the hierarchy of the State, public administration and public business sector. Following another perspective, we cannot fail to note the off-shores, which, apart from constituting privileged means for tax evasion, permit the camouflaging of inestimable sums derived from criminal conduct of the most diverse nature, including, naturally, fraud and corruption.

The effects of corruption are well known: it corrodes confidence in institutions, in particular political and judicial institutions, leading to the contempt for the primacy of the law, distorts the allocation of resources and perverts the functioning of markets, with extremely serious effects on investment, internal and external, and on growth and development, causing severe damage to the poor as a consequence of the deviation of sums necessary for the funding of essential public services, especially in the areas of health and education. Corruption also favours the subsistence and strengthening of organised crime, which systematically resorts to a variety of forms of fraud and corruption, which, after all, constitute the essential conditions for its existence and proliferation.

2. International Cooperation, major conventions

International cooperation has been reflected, namely, in the approval of various conventions and other instruments, endorsing recommendations for national institutions on standards, policies and procedures capable of ensuring further effectiveness in the fight against corruption.



Particular note should be made of the “United Nations Convention Against Corruption”, which was enforced in 2005.

Particular note should be made of the “United Nations Convention Against Corruption”, which was enforced in 2005, and seeks the promotion and strengthening of measures aimed at preventing and fighting against corruption in the most effective manner and fostering, facilitating and supporting international cooperation and technical assistance on matters of prevention and combat against corruption.

At a European level, it is important to refer to the “Convention on the Protection of the Financial Interests of the European Community”, adopted in 1995, which seeks to ensure the effective contribution of the penal legislations of the Member States against fraud injurious to the financial interests of the European Community; the “Convention on the Fight Against Corruption Involving Officials of the European Communities or Officials of Member States of the European Union”, approved in 1997, which determines that Member States take the necessary measures so that any behaviour representing acts of corruption, active or passive, committed by officials is criminally punishable, who may be subject to prison sentences as well as extradition; and the “Criminal Law Convention on Corruption”, adopted by the Committee of Ministers of the Council of Europe in 1999, with a view to the incrimination, in a coordinated manner, of a broadly-defined group of acts of corruption, which it identifies.

3. The role of sais in the fight against corruption - The Court of Auditors of Portugal

Considering that it is imperious to deter the spreading of corruption, and also taking into account the particular difficulties faced in the detection of acts of corruption, due to their very nature, and while the investigation should not under any circumstances be neglected, rather must it strengthen and improve the means available to the investigation departments, it is deemed, nowadays, that prevention is the most powerful weapon in the fight against corruption.

The financial and sound management control activities developed by SAIs, which include the assessment of the systems of internal control, the verification of the existence of good management practices, in observance with the principles of economy, efficiency and effectiveness, and the examination of the financial statements, with a view to ensuring their precision and reliability, are embedded within a series of policies, procedures and actions aimed at the prevention of this phenomenon, performing a role of the greatest importance therein.

Indeed, and regarding the Court of Auditors of Portugal, it has been observed that the activity it develops promotes transparency, by ensuring the regular presentation of accounts and clarity of operations and activities; defends legality and promotes accountability, supervising and making known to the public situations of irresponsibility, illegality and poor management; encourages good management and defends the primacy of the public interest, questioning the justification and utility of actions and promoting the use of competitive tenders; contributes to the improvement of institutions and their control and management systems, by detecting deficiencies, indicating ways to overcome them, and identifying areas of risk; detects and communicates indications of corruption to the Public Prosecutor’s Office, with a view to the possible triggering of criminal investigation procedures.

The experience of the Portuguese Court of Auditors has led to the conclusion, in a similar manner, in fact, to other SAIs, that the following operations and sectors of public administration are areas of special risk:

- Privatisations;
- Public contracts, in particular public works contracts and procurement contracts;

At a European level, it is important to refer to the “Convention on the Protection of the Financial Interests of the European Community”, adopted in 1995.



- The attribution of subsidies;
- The management, including the sale, of public properties;
- The recruitment and management of human resources;
- Local administration;
- Tax administration.

It is also opportune to refer to the creation in Portugal, in 2008, of the Council for the Prevention of Corruption, chaired by the President of the Court of Auditors. The Council, which works with the Court of Auditors but is fully autonomous relative to the latter, is responsible, namely, for the collection and treatment of the necessary information for the detection and prevention of corruption; issuing an opinion on the preparation of legislation and regulations, national or international, on the prevention or repression of corruption; regularly assessing the effectiveness of the legal instruments and administrative measures adopted by the public administration and public business sector for the prevention and fight against corruption; and collaborating in the adoption of internal measures of preventive character, such as codes of conduct and training actions for public administration officials.

4. Conclusion

Finally, and from another perspective, it should be emphasised that, in addition to the effectiveness of the execution of the supervisory and control actions developed, and also as a condition of this effectiveness, it should be a priority for the SAIs to stand as references of integrity, transparency, precision and political neutrality, for which they are in a privileged situation in view of their vast experience of scrutiny of the current practices in extremely diverse organisations, which especially qualifies and motivates them to adopt the best practices. ●

The experience of the Portuguese Court of Auditors has led to the conclusion, in a similar manner, in fact, to other SAIs, that the following operations and sectors of public administration are areas of special risk.

It should be a priority for the SAIs to stand as references of integrity, transparency, precision and political neutrality, for which they are in a privileged situation in view of their vast experience of scrutiny of the current practices in extremely diverse organisations, which especially qualifies and motivates them to adopt the best practices.

“Experientia mutua omnibus prodest”: The lived motto of EUROSAI

DR. JOSEF MOSER

President of the Austrian Court of Audit

General Secretary of INTOSAI

The founding of INTOSAI in 1953, in Havana, Cuba, saw the start of the collaboration – highly successful – of Supreme Audit Institutions at the world level. “Experientia mutua omnibus prodest” (exchange of experience benefits all) did not remain as a mere slogan, rather, this motto has developed to the point of becoming the engine of all activities carried out under the common roof of INTOSAI. The stated objective, which was regained in the III INCOSAI, held in Río de Janeiro in 1959, was the “creation of a working group in each of the five continents”. The Regional Working Groups started to appear in 1965.

In the VIII INCOSAI, which took place in Madrid in 1974, the first measures were adopted for the creation of EUROSAI. Between 1975 and 1989 the SAIs of Italy and Spain, via the Contact Committee of Presidents of Supreme Audit Institutions of the European Economic Community, paved the way for the founding of EUROSAI and they drew up the first drafts of its Statutes.

Finally, in June 1989, the XIII INCOSAI, held in Berlin, approved the “Berlin Declaration for the creation of a European organization of Supreme Audit Institutions”. In it, EUROSAI declared its intention to improve relations among the countries of Europe in the field of auditing, encourage collaboration at the level of Supreme Audit Institutions and promote the exchange of experiences, all this based on the conviction that efficient auditing benefits the countries of Europe. At the same time it aimed to achieve the goals of INTOSAI by means of grouping European experiences.

Since its founding at the end of 1990, as part of the I EUROSAI Congress, the activity undertaken by this organization has been characterized by putting into practice the INTOSAI motto: “Experientia mutua omnibus prodest”. Via the efforts of the EUROSAI Governing Board and of the General Secretariat to study concrete contents adapted to the needs of the countries of the European area, in the framework of congresses, training activities, working groups and task forces, EUROSAI made a decisive contribution to the development of INTOSAI as a mediator recognized at the international scale for questions related to public auditing.

“Experientia mutua omnibus prodest”: a challenge for EUROSAI

The declared objective of INTOSAI and of its Regional Working Groups was and is to strengthen Supreme Audit Institutions in their role of controlling public resources and promoting the exchange of experiences in that regard. In no way did this mean eliminating the plurality resulting from the different developments, the different historical traditions and the diverse social and economic evolutions. Rather, what was wished was to raise awareness of the fact that, in spite of the different starting bases, the exists a “common heritage” of requirements and needs to promote an auditing that is as efficient as possible.

This aspiration meant that, soon after its creation, EUROSAI was faced with a special challenge: the profound changes taking place in the political situation of the countries of Central and Eastern Europe. Both INTOSAI and EUROSAI found themselves faced at

Finally, in June 1989, the XIII INCOSAI, held in Berlin, approved the “Berlin Declaration for the creation of a European organization of Supreme Audit Institutions”.



that moment with the task of conveying to the newly constituted Supreme Audit Institutions – which in many cases still had relatively little practical experience in the field of control – both the most recent state of development of public auditing and the catalogue of values of INTOSAI and, therefore, of EUROSAI, and thereby strengthen the first of the eight pillars of the independence of Supreme Audit Institutions (namely, legal status).

EUROSAI tackled this specific challenge in close collaboration with the INTOSAI Development Initiative (IDI) and the General Secretariat of INTOSAI. At the end of 1991, they both organized in Hungary a “Seminar for the SAIs of the East”. That first seminar of EUROSAI permitted the exchange of procedural forms and methods of control in public auditing and the perception of the control models of the new SAIs: a new case in which the motto “*Experientia mutua omnibus prodest*” came alive.

“*Experientia mutua omnibus prodest*”: the motto lived

Article 1 of the EUROSAI statutes declares the aim of promoting professional cooperation among SAIs, facilitating the exchange of information and documentation, encouraging an analysis of the auditing of public finances, stimulating the creation of university chairs in that field and promoting the unification of terminology on the subject of public auditing.

The standing General Secretariat, the SAI of Spain, devotes its efforts to achieving those objectives – having done so for more than 20 years now as “historic memory” and “guardian of the Statutes and processes” – as does the Governing Board with its variable composition, both of them in compliance with the INTOSAI motto: “*Experientia mutua omnibus prodest*”. For this purpose, they maintain a constant exchange with their members in order to define specific contents having the potential for debate in the European area and they materialize them in themes for being dealt with in congresses, thereby covering a broad spectrum of subjects, from “control of public operations”, passing through “the independence of SAIs”, up to arriving at “the current challenges and responsibilities of the public managers and the commitment of Supreme Audit Institutions” (Lisbon 2011).

EUROSAI has never confined itself to mere debate during congresses. For example, as part of the Working Group “Coordinated Auditing of EUROSAI”, set up in order to study the coordinated audit of tax profits, it delved into the theme of the VI EUROSAI Congress held in Bonn in 2005, “Revenue control”. Also, a “Benchmarking Costs / Performance Tax Administrations Study Group” was set up, which set the objective of drawing up indicators permitting the costs and performance of tax administrations to be compared at the international scale. Both groups completed their successful work with the VII EUROSAI Congress, which took place in Warsaw in 2008.

Moreover, via its Standing Training Committee EUROSAI has set up a broad spectrum of training activities. So, over the years special attention has been paid in a range of seminars to information technologies (TI) and to environmental audit, due also to the fact that the EUROSAI working groups have been accumulating lengthy experience in those fields. As early as 1999 the Working Group on Environmental Audit was set up within EUROSAI, followed in 2002 by the Information Technology Working Group. Since 2008 there has existed – as successor of the EUROSAI working subgroup specializing in the auditing of the consequences of natural disasters and those caused by man – a “Task Force on the audit of funds allocated to disasters and catastrophes”.

These EUROSAI working groups and the aforementioned task force constitute, in the opinion of the General Secretariat of INTOSAI, a specific example of how to live the motto “*Experientia mutua omnibus prodest*”: approximately one third of members of the INTOSAI working group concerned with IT come from EUROSAI, while in the INTOSAI working group focused on environmental audit EUROSAI, via the SAI of Estonia,

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The direct exchange of experience thus takes place not just within EUROSAI; the knowledge obtained is also channelled towards the work of INTOSAI.

EUROSAI has for years been cooperating with SIGMA, a joint initiative of the Organization for Economic Cooperation and Development (OECD) and of the European Union (EU).

even occupies the chair, to which is added the fact that 23 out of its 60 members belong to EUROSAI. As a third example of this close intertwining – and, therefore, of the broad exchange of experience and information between INTOSAI and EUROSAI – mention can be made of the INTOSAI Working Group on Accountability and Audit of Disaster-related Aid: the European Court of Audit occupies the chair both of the EUROSAI working group and of the INTOSAI working group, and around 40% of its members are also members of the EUROSAI group.

The direct exchange of experience thus takes place not just within EUROSAI; the knowledge obtained is also channelled towards the work of INTOSAI. This exchange of experience under the common roof of INTOSAI can likewise be exposed – though from a long-term perspective – to the thread of the central theme of “privatization”.

In fact, while the XIV INCOSAI, held in 1992 in the USA, tackled “Examining public enterprises: changing approaches and techniques”, EUROSAI studied that same theme in the years 1992/1993 as part of its first seminars (Prague, Czech Republic: “Changes in the role of SAIs in relation to privatization”; Velence, Hungary: “Control processes for privatizations”). Finally, in 1993, the II EUROSAI Congress concerned itself with “The Changing Functions of the State and the Audit Function with Particular attention to Privatization”.

No doubt under the impression of the major changes occurring in real politics, the 11th United Nations/INTOSAI Seminar, held in 1994, analysed “The role of Supreme Audit Institutions in the restructuring of the public sector”. A study was made of the independence of SAIs in control of privatization, methodical access to privatization audits, the choice of the most appropriate moment for control of privatization projects and the scope of specialized qualification demandable of auditors. A year later the XV INCOSAI, which took place in 1995 in Egypt, focused on privatization, while one of the two main themes of the III EUROSAI Congress, held in 1996, was “The audit of privatization”.

A third example of the close and trusting collaboration between EUROSAI and INTOSAI, presided over as ever by the latter’s motto, is a specific project carried out in 2009 by the INTOSAI Professional Standards Committee (PSC) in collaboration with EUROSAI: as part of the activity titled “Raising Awareness of International Standards of Supreme Audit Institutions”, it was possible for INTOSAI to present for the first time its standards and guidelines (in the four hierarchical levels within the ISSAI and the INTO-SAI GOV) and thereby provide EUROSAI members with useful tools for implementing the ISSAI at the national scale. The great importance of this seminar for the INTOSAI PSC lay in the change in the development of standards and guidelines towards the implementation and “maintenance” of the body of regulations.

But collaboration does not just take place through the “internal channels” of INTOSAI. EUROSAI has for years been cooperating with SIGMA, a joint initiative of the Organization for Economic Cooperation and Development (OECD) and of the European Union (EU). The role of SIGMA lies in contributing to the modernization of public administration systems. EUROSAI provides support for this initiative at the level of Supreme Audit Institutions with measures aimed at expanding and strengthening the activity of SAIs.

In the supra-regional field, as well as nurturing contacts with EURORAI (European Organization of Regional External Public Finance Audit Institutions), EUROSAI is above all concerned with maintaining an active exchange of experience with two other regional working groups of INTOSAI: since 2000 with OLACEFS and since 2006 with ARABOSAI as well. For that end, periodical meetings are held on current topics of public auditing aimed at promoting the analysis of the regional peculiarities of external public auditing and strengthening the exchange of experiences.



“Experientia mutua omnibus prodest”: quo vadis?

The Supreme Audit Institutions continue to be faced with major challenges: the financial and economic crisis has left deep marks, which need to be assimilated. External public auditing performs an important contribution to promoting a stable financial management by means of examining the regularity, conformity, economics, efficiency and efficacy of public spending, and is inspired by the desire to strengthen the confidence of citizens in governmental and administrative management.

With the aim of being in a condition to perform its tasks effectively, in the “Conference on strengthening external public auditing in INTOSAI regions”, held in Vienna in May 2010, members of INTOSAI pronounced themselves in favour of promoting the exchange of ideas in the regions with regard to that subject and of drawing up specific approaches for optimization in the fields of independence, the expansion of material and human resources, rules of audit, capacity building, training and upgrading of personnel, the exchange of knowledge and experience and the value and benefits of courts of audit.

In this respect, special emphasis can be placed on the start of regional cooperation between EUROSAI and ASOSAI, which, in its first congress in 2011, is going to be studying the theme “Strengthening public auditing”. This collaboration will contribute so that, by means of a continual exchange of knowledge, optimum practice and reference points, a substantial contribution can be made to the development and strengthening of SAIs.

On the occasion of the 20th anniversary of the founding of EUROSAI I would like to thank both the Governing Board and the General Secretariat for their dedication, broad-minded and extremely active, to the putting into practice of the principles of INTOSAI. My gratitude extends also to all member SAIs of EUROSAI, who give life to the INTOSAI motto “Experientia mutua omnibus prodest”. By means of organizing seminars, congresses and meetings of working groups and through all their other activities, at both the regional and international scale, they make a decisive contribution to the advance of external public auditing in the European region and also in INTOSAI as a whole.

In that regard, I express my desire that EUROSAI will have many more years of success in the exchange of experience. ●

The Supreme Audit Institutions continue to be faced with major challenges: the financial and economic crisis has left deep marks, which need to be assimilated.

Computing and IT Auditing in the Court of Audit of Belgium – Interaction with EUROSAI

PHILIPPE ROLAND

Senior President of the Court of Audit of Belgium

The main recommendation was that much greater attention needed to be paid to the professional dimension of the institution and to quality control.

The Court of Audit of Belgium has been taking part in the EUROSAI Information Technology Working Group since September 2007. In this context, its representatives have mostly taken part in the conducting of *Information Technology Self-assessment (ITSA)*. In fact, at the end of 2007, Mr. Michel Huissoud, Deputy Director of the Swiss Federal Audit Office, collaborated with the Belgian Court of Audit in conducting a self-assessment of the governance of the computing systems of that Court.

The strong points identified in that self-assessment were: the multi-annual planning process and the high level of security and accessibility to the computing network of the Court of Audit.

The main recommendation was that much greater attention needed to be paid to the professional dimension of the institution and to quality control.

Finally, at the end of 2008, parallel with the works of the EUROSAI IT Working Group developed in the field of IT audit Self-assessment (ITASA), an internal project group was set up in order to provide the Court of Audit with a specialized function in Computing Auditing. Moreover, in October 2009 the Court of Audit hosted a EUROSAI seminar with the theme “Developing an IT audit programme based on CobiT”.

1. Self-assessment of the governance of Information technologies

During 17 and 18 December 2007, an *Information Technology Self Assessment (ITSA)* was held in the Court of Audit. This ITSA or self-assessment of the governance of computing systems, was founded on a methodology based on the CobiT 4.0 model¹, and drawn up by the Information Technology (IT) Working Group of EUROSAI².

The ITSA had the aim of opening up new perspectives and improving the use of computing intended to support the strategic and operational goals of the Court. The methodology of the ITSA, together with the participation of an outside specialist, constitutes an appropriate tool for the stated ends and allows the Court to follow the evolution of new international developments.

The ITSA was conducted by an evaluation group that was limited but with a balanced composition, since it included members from the staff of the Computing Services and Operational Managements who had shown sufficient interest in computing and, to a greater or less degree, had mastered – as users – the various computing applications implemented in the Court of Audit. Mr. Michel Huissoud, Deputy Director of the Swiss Federal Audit Office and a specialist in ITSA methodology, who had already helped various SAIs to conduct self-assessments, accompanied the evaluation group in situ.

¹ *Control Objectives for Information and related Technology.*

² The EUROSAI IT Working Group has the aim of promoting the exchange of knowledge and experiences among the Supreme Audit Institutions (SAI) of Europe and encouraging joint activities in the field of computing. The working group urges SAIs to explore together the strategic consequences of the evolution of IT (both in the field of Auditing and with regard to the actual use of IT itself) and for this it offers a cooperation platform. The working group proposes the following goals: to promote the development of a vision and the exchange of experiences and knowledge, and to encourage collaboration in order to develop IT related audits and simultaneous, joint or coordinated audits.



The ITSA gave the Court the opportunity to gain a more concrete idea of its goals, the degree of support of computing for the functioning of the institution (maturity) and of the methods for improving this support in the long term. The majority of the evaluation group members considered that the ITSA matched up to their expectations and saw it as an efficient management tool.

With the conducting of this self-assessment, the Court can be sure that computing will accord even more with the real needs of the Institution. Moreover, the ITSA allowed it to familiarize itself with the CobiT model, which could constitute an enriching experience when it comes to future audits of computing systems.

In 2009, the EUROSAT IT Working Group started to supervise the first ITSAs held in various SAIs. The Belgian Court of Audit is planning to organize this supervision during the course of 2012.

In addition, ITSAs will shortly be organized in French-speaking member SAIs of AFROSAT. The Belgian Court of Audit has in principle accepted the participation of one of its representatives in the EUROSAT IT Working Group with the status of observer and/or moderator in some of these self-assessments. A first participation could be taking place during the course of 2011.

2. Multi-annual computing planning

Since 2006, the tasks of the Court of Audit Computing Service have been orientated on the basis of a multi-annual computing plan drawn up by a working group made up of representatives of this Service and of the Operational Managements. This integrated functioning accords with the concerns which other SAIs had highlighted, in particular during the *lessons learned* organized by the EUROSAT IT Working Group following the first ITSAs.

2.1. Drawing up of a multi-annual computing plan

The procedure applied in this field is the outcome of the process commenced in 2005 by the Court of Audit via the strategic project for the integrated development of a paper-free information management. This procedure is primarily based on the establishment of a strategic focus and on the creation of a structure of dialogue between the Computing Service and the users.

The multi-annual computing plan covers a period of three years and is drawn up by a specific working group, composed of representatives of the Operational Managements and the Computing Service. This working group also watches over the integrated development of the information management and the monitoring, evaluation, adaptation and periodical updating of the multi-annual computing plan.

The plan and the possible modifications that are introduced in its execution are approved by the General Assembly of the Court of Audit, after having submitted it to the Governing Board, which is composed of two members of the Court and the Senior Managing Auditors of the ten Managements.

2.2. Execution of the multi-annual computing plan

Various computing initiatives and projects have already been started up or carried out within this framework. Among the most important are the ones detailed below.

2.2.1. The CIMS (Common Information Management System) application

This application consists of a common register for basic data on the Court of Audit and its control environment which have to be created and managed in a way that is unique, structured and integrated. This data is characterized by the fact that it remains virtually immobile or clearly demarcated in time.

The majority of the evaluation group members considered that the ITSA matched up to their expectations and saw it as an efficient management tool.

The development of the first version of the e-Dos application has been completed and a pilot phase is running.

As such, the data in the register is independent, and is used as inputs in the actual operational applications themselves.

The development of a first version of the application has been completed and is planned to come into production at the end of 2010.

2.2.2. The e-planning application

This application is used for the planning and monitoring of audits and other tasks performed by the services of the Court of Audit. Following a brief phase of analysis and programming, the application was introduced in 2007.

2.2.3. The e-DOS application

This application has the aim of developing a monitoring system for files, which includes related metadata, among other elements, with the content of the folders (notes, letters, ...), of the static data, of the data stream, the electronic presentation of documents and the processing of incoming documents. The development of the first version of the application has been completed and a pilot phase is running. If this phase turns out to be conclusive at the end of 2010, then this first version could come into production early in 2011.

3. Accessibility to the computing network in situ and from home

In the last few years, the Court of Audit has considerably expanded access to the network for staff members who are not in their actual work places. Given that an important part of the staff (mainly the auditors and comptrollers) regularly or permanently work in situ in the bodies being controlled, external access to the network takes on an overriding importance. For that reason, the Computing Service has developed various solutions for achieving such access with total security.

Depending on the technical possibilities and on approval from the computing services of audited bodies, a range of VPN solutions has been put forward³.

For use at home and in specific places, the chosen solution primarily consists of a VPN IPsec, which uses a PIN code and a “token” hardware device. As far as possible, this is the first option, since, according to the experience of users, it is very similar to the use of the network in the Court of Audit itself.

As it can sometimes happen that the Computing Service of the audited body does not authorize connection to its network or the installation of specific software, or there exist technical problems, the method described above is sometimes combined with a wireless connection to the Internet or a specific broadband connection (for example, for various members of the staff of the Court working permanently in the audited bodies). In the majority of cases, the solution that has been considered most practical consists of using an SSL VPN access. The technical solution which Fedict⁴ provides via its network FedMAN⁵ permits access to the network of the Court of Audit using the web navigator and creating a secure link thanks to the electronic identity card (eID). Specifically, this solution resorts to the virtualization of presentations (*terminal services*), which offers the majority of the most common applications (the Court’s own applications, Intranet, office software).

Depending on the technical possibilities and on approval from the computing services of audited bodies, a range of VPN solutions has been put forward.

³ VPN = *Virtual Private Network*. This technology permits secure connection to another computing network via the Internet.

⁴ Fedict = *Federal Public Service for Information Technology and Communication (of Belgium)*. Fedict works in the development of Belgium’s strategy in the field of electronic government.

⁵ FedMAN = *Federal Metropolitan Area Network*. Network of Federal Public Services of Belgium.



4. The Auditing of IT and the CobiT model

4.1. *The EUROSAI CobiT Seminar (Antwerp, 1 and 2 October 2009)*

The Court of Audit of Belgium held a EUROSAI CobiT seminar devoted to developing an IT audit plan based on CobiT. This was a joint initiative of the Training Committee and the EUROSAI IT Working Group and the Court of Audit of Belgium. This improvement workshop was the second in a series of EUROSAI workshops devoted to CobiT. The introductory workshop, “Understanding CobiT in Support of an Audit of IT Governance” (Tallinn, 9-10 October 2008) was organized by the SAI of Estonia.

The learning goals of the improvement workshop were the following:

- Understanding the field of application and the scope of the CobiT body of knowledge, and its strong and weak points;
- acquiring skills in the way in which the elements we mention below can be combined in order to conduct the audit and carry out a more efficacious and efficient control and computing management: professional and computing goals, RACI graphs, targets and metrics, goals and control practices;
- developing real competence in the use of the following elements: professional and computing goals, RACI graphs, targets and metrics, goals and control practices;
- improving in general the perception of the problems and challenges raised by control and computing governance.

This seminar was attended by 37 participants, from 21 supreme audit institutions⁶, moderated by Mr. Erik Guldentops, emeritus professor at the University of Antwerp, who was in charge of the CobiT project from its conception in 1994 up to the summer of 2007.

According to the participants, the elements of the seminar that were most useful to them for their daily work were: professional and computing goals, the relation between them; the matrix model, the choice of process, and the scope of the audit. Among the new and useful teachings of the seminar, participants cited: the stages of a computing audit with the aid of CobiT, the maturity model, the establishment of relations between the professional and computing targets, examples of scopes of application, and the RACI graphs.

This improvement seminar on CobiT, as with the introductory seminar, underlined the effective cooperation between the Training Committee and the EUROSAI IT Working Group. Moreover, regarding the close collaboration of the Court of Audit of Belgium with the School of Administration of the University of Antwerp and the IT Governance Institute, this seminar constitutes an excellent example of the added value of good relations between the SAI community and the academic world.

4.2. *Establishment of a specialized IT audit function*

Along the same lines as the IT audit Self-assessment (ITASA) being carried out in the EUROSAI IT Working Group, the Court of Audit of Belgium has conducted its own reflections on this subject.

Indeed, nowadays, in order to be able to carry out their tasks and aims, many audited bodies make intensive use of computing tools for helping them, and even for automating certain procedures. This can generate considerable benefits for the audited body but it also generates new risks that have to be controlled. These new risks must

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⁶ SAIs from the following countries took part: Germany, Former Yugoslav Republic of Macedonia, Austria, Belgium, Bulgaria, Cyprus, Estonia, Finland, Hungary, Lithuania, Malta, Netherlands, Poland, Portugal, Russian Federation, Slovakia, Slovenia, Switzerland, Czech Republic, Turkey and the European Union (European Court of Audit).

Parallel with this, a training campaign has been started in order to train a large number of non-specialist auditors in the fundamentals of IT Auditing.

also be taken into account both by the internal auditor and by the external auditor. The Court of Audit must therefore be capable of identifying them and tackling them.

In spite of having already conducted IT audits, the Court of Audit, in view of the ever increasing importance of computing, had to start up an organized computing audit function. Indeed, identifying and responding to these new risks creates the need to have new competences, generally grouped under the name of IT audit.

For this, the Court has created a Project Group in charge of drawing up a strategic orientation in this field.

Parallel with this, a training campaign has been started in order to train a large number of non-specialist auditors in the fundamentals of IT Auditing.

The aim is to create a three-level structure in the Court of Audit that will comprise non-specialist auditors, auditors specializing in IT auditing and, if necessary, resorting to outside experts.

The Basic Training of non-specialist auditors and the Strategic Orientation Memorandum on the subject of IT Auditing will have to be completed for the end of 2010. The new specialized IT Audit function is going to be applied during the course of the first half of 2011. ●



SAI as a guarantee for transparency and sound management of democratic states

SAO OF THE CZECH REPUBLIC

According to the Oxford Advanced Learner's Dictionary, "transparency" is the quality of something that allows you to see through it or the quality of something that allows somebody to see the truth easily or the quality of something that make it easy to understand. According to the same source, "sound" means reliable, thorough, and in good condition. How can be a SAI the guarantee of such demands and challenges?

If the states are requested to be managed in a sound and transparent way, the decision makers need transparent and sound information for their decisions. Those who prepare such information for the public funds administrators should follow the laws of their country, the good practice, and the ethical principles. To have the reasonable certainty that it happens so, the decision makers get the affirmation from Supreme Audit Institutions. Therefore, there are established also Supreme Audit Institutions within shared powers in the democratic state, apart from the executive, legislative, and judicial powers.

Audit of the public funds management is not the question of last couple of years, or even decades. In the Middle Ages, the audit mechanisms were subordinated to the ruler who wanted to be sure that his bureaucratic apparatus did not lie to him and that his apparatus or the nobility did not bleed the state treasury dry more than he was willing to accept. Later with the coming European parliamentarianism, the parliament itself demanded such assurance to be able to audit the executive power (i.e., ruler), who managed the state treasury. Even later it was the matter of restrictions of the minister's political power who might rule over the strong department funds and who relied on parliamentary majority. Audit and the direct supervision of the parliament usually failed.

That was also one of the reasons for establishing audit institutions that worked as "external", i.e. independent on the state bureaucracy. Results of their work were presented to the ruler, and later mainly to the parliament. At the European continent, within last two centuries, the results were also presented to the public, i.e. tax payers, who contribute to the sources of public funds.

The Supreme Audit Institutions were established and developed for the purpose of the independent accounts certification. Later they were established and developed to audit the public funds management.

Supreme Audit Institutions exist to make the public affairs administration more comprehensible, truthful and easy to see through it, and to assure that the public funds are in good conditions and their management is reliable and thorough. There is no need to search for complex solutions or complicated formulas to ensure that a Supreme Audit Institution is a guarantor of the transparent and sound public affairs administration. The best way is to follow the principles stated in the Lima declaration. Let us have a closer look at some parts of this Magna Charta of an independent external audit of public funds.

It is one of the main aspects of the audit correctness to guarantee the independence of an Supreme Audit Institution. Three basic foundation stones of the independence are defined as 1) the independence of the Supreme Audit Institution itself when executing an audit, 2) the independence of Members and officials of the Supreme Audit Institution, and last but not least 3) the financial independence of the Supreme Audit Institution.

The Supreme Audit Institutions were established and developed for the purpose of the independent accounts certification.

The best way is to follow the principles stated in the Lima declaration.



Concerning the Supreme Audit Institution independence the international standard specify the basic conditions for the objectivity of the Supreme Audit Institution work.

The independence can be attacked also indirectly by the restriction of funds.

The international cooperation between Supreme Audit Institutions contributes mainly to the increase in the work quality.

Typical example of the multilateral cooperation is the association into international organizations.

Concerning the Supreme Audit Institution independence the international standard specify the basic conditions for the objectivity of the Supreme Audit Institution work.

Basic conditions for the independence of Supreme Audit Institutions from auditees and for the protection against the outside influence are given by an international standard. This standard emphasizes that the basic principles should be laid down in the Constitution. A special emphasis is put on the practical independence protection by the Supreme Court.

The independence of Members and officials of a Supreme Audit Institution is also very important. Possible attacks on the Supreme Audit Institution's independence are often led against persons who influence Supreme Audit Institution's activities in a fundamental way, ergo, either against its statutory representatives or against members of the decision making body of the Supreme Audit Institution. Therefore, the international standard specifies the basic protection defined by the Constitution, especially the procedure for their removal from the office.

The independence can be attacked also indirectly by the restriction of funds. It can reduce the extent of audit activities, of course, or to cause the wide personnel troubles, which can finally lead to a decrease not only in the extent of the audit but also in its quality. The international standard does not demand the unlimited resources for the audit institution, but the possibility to apply for the necessary funds directly to the body deciding on the national budget without the influence of auditees. The other demand is the absolutely independent decision making about the use of these allocated funds.

It is also related to a question that has not been arisen yet – who should audit the supreme auditor? The answer deserves a separate article. A partial answer can be the reference to the “Mexico Declaration on SAI Independence”.

As we are at the EUROSAI background, we have to mention the international cooperation. The international cooperation between Supreme Audit Institutions contributes mainly to the increase in the work quality. The aim of this cooperation is to familiarize with the current and effective audit procedures used by the other audit institutions from all over the world, the methodology development and the experiences exchange with colleagues from other countries. The international cooperation is also used for the education of the employees and the organization of coordinated audits at the bilateral and multilateral level. We must not omit some political importance of the international cooperation, when the experience of particular audit institutions can be compared at international forums and subsequently generalized to the form of precise recommendations.

Typical example of the multilateral cooperation is the association into international organizations. Besides the general information exchange, the international organisations work systematically on the creation of the standards and standardized audit procedures.

If we take this article title as a question, we can answer it: Yes, the Supreme Audit Institutions should be the guarantee for transparency and sound management, on the condition that they themselves act transparently and in a sound way. And if they follow international standards that are recognized internationally, respected generally, and proved by years. ●



Building SAI credibility: Independence, Integrity, Professionalism and Sound Management

VITOR CALDEIRA

President of the European Court of Auditors

The 20 years since EUROSAI was founded have seen the growth and spread of democracy in Europe. To be sustainable and to flourish, democratic states need institutions that retain the trust and confidence of citizens. Supreme Audit Institutions (SAIs), therefore, have an essential role to play in modern democratic states, promoting the transparency, accountability and good governance on which trust and confidence of citizens depends.

SAIs primarily play this role by producing reports which facilitate public scrutiny of government. The value of these reports depends on their credibility. I believe credibility, has four key elements: independence, integrity, professionalism and sound management. Bringing these elements together to create credibility is both an individual and a collective task for SAIs, to which EUROSAI makes an instrumental contribution through its congresses, conferences, working groups, task forces, training committee and publications.

The first element, **independence**, is a pre-requisite for credible reporting on whether public funds are spent wisely in accordance with the rules. As the Lima Declaration puts it, SAIs can accomplish this task “only if they are independent of the audited entity and protected from outside influence”. How such independence can be achieved varies depending on constitutional arrangements but must include high level legal guarantees to ensure SAIs’ functional and operational independence.

EUROSAI members have been active in the last 20 years in exploring the means of achieving independence in different contexts. This was the central theme of the IV EUROSAI congress in Paris in 1999. Members of EUROSAI were thus heavily involved over a long period of time in developing the principles that eventually formed the basis of the “Mexico declaration” on SAI independence. These principles identify the areas where high level legal guarantees of independence are necessary: appropriate relations to other state bodies, appropriate procedures to appoint their Heads or Members, a broad mandate, discretion in selecting audit tasks, access to the necessary information, the right and obligation to report, freedom to publish findings, effective follow-up of reports, and availability of adequate resources.

To independence, we need to add **integrity**. Integrity is what transforms the legal construct of independence into a state of mind shared by all those involved in the audit process and at all levels of an audit institution. SAIs need to ensure that all those involved in the audit behave with integrity, adhering to the highest ethical standards in their work and in their relationships in order to maintain their independence and impartiality, not just in fact but also in appearance. Leadership is particularly important in this context – a theme I had the opportunity to address at the 2008 EUROSAI congress in Krakow.

The third essential element is **professionalism**. Independence and integrity help build public trust, confidence and credibility in the auditor and the audit institution; but the audit work also needs to speak for itself. It needs to be carried out in line with the most up to date professional standards and methods to a consistent level of quality by auditors with the necessary skills and experience. Concern for developing these core aspects of professionalism is at the heart of SAI cooperation in EUROSAI. It forms the basis of the activities of the working groups and the training committee.

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Putting these principles into practice, means finding ways to demonstrate our accountability and transparency and answer the question, “Who audits the auditor?”

The last 20 years has seen many important developments in public policy and finance: fundamental changes in the relationship between the state and private enterprise and a growing importance attached to environmental issues. In response to these challenges, the audit profession, both public and private, has had to develop its standards and its methods. From working groups and task forces on Environmental Audit and IT to congresses, conferences and seminars addressing such varied themes as privatisation, public procurement, auditing state revenues, combating fraud, implementing new international standards, carrying out performance audit, and SAIs’ implementation quality management frameworks - the activities of EUROSAI provide a “roll call” of the challenges SAIs face in a constantly changing audit environment.

As regards the competence of auditors, the Training Committee has been particularly active and made many significant contributions to encouraging professionalism. I believe, in this context, it is significant to note that the EUROSAI Training Strategy 2008-2011 recognises as its first priority *“To provide training to SAI staff so that they are able to develop and maintain the skills and experience necessary for the discharge of their functions”*.

The final element for credibility is the **sound management** of SAIs themselves. Like the bodies SAIs report upon, SAIs are recipients of public funds. As ISSAI 20 - “Principles of transparency and accountability” - puts it, SAIs need to “lead by example in their own governance and practices”. This means that SAIs must manage their operations economically, efficiently and effectively and in accordance with the applicable laws and regulations and report publicly on these matters. They should also make use of external and independent advice to enhance the quality and credibility of their work.

Putting these principles into practice, means finding ways to demonstrate our accountability and transparency and answer the question, “Who audits the auditor?” This question has been discussed within the forums of EUROSAI on a number of occasions over the years as SAIs looked for convincing answers. Two specific means employed by the ECA, and a number of other SAIs, are to ensure that the institution’s own accounts are subject to independent external audit and to hold regular independent peer reviews. In the case of the ECA, both means have been recognised as important by the European authorities responsible for scrutinising the way the ECA implements its budget. The ECA has also benefited from the opportunities for improvement provided by its recent peer review, which involved an experience team including agents of other EUROSAI members as well as from outside Europe.

To conclude, I believe that to be credible our stakeholders must see that we are independent of those that we report upon, adhere to the highest ethical standards at all times, apply appropriate professional standards and methods in our work, and put into practice what we preach about good governance, transparency and accountability.

Over the last 20 years EUROSAI has made a significant contribution not only to developing the conceptual framework for ensuring the credibility of the public sector audit profession in Europe but also to helping individual members to put that framework into practice. By each of our institutions striving to improve our own professional reputation, through EUROSAI, we have also helped to enhance the reputation of our profession and the contribution it makes to maintaining the trust and confidence of Europe’s citizens in their democratic institutions. ●



10th Anniversary of the State Audit Office of the Republic of Macedonia¹

TANJA TANEVSKA

General State Auditor of the State Audit Office
of the Republic of Macedonia

In 2009 the State Audit Office (the SAO) marked its 10th Anniversary as an independent Supreme Audit Institution of the Republic of Macedonia.

Nowadays, the State Audit Office of the Republic of Macedonia represents a capacity that could significantly contribute to proper and efficient spending of the tax payers' funds, give recommendations to the institutions in the public sector on how to improve their operation and thereby contribute to successful accession of the Republic of Macedonia to the European Union.

The State Audit Office mandate is established in the Law on State Audit, based on the main principles of Lima Declaration of Guidelines on Auditing Precepts: independence, competency, objectivity, neutrality, rationality, confidentiality, professionalism and team work.

Established by the Parliament of the Republic of Macedonia in 1997, the SAO started its operation in the beginning of 1999 with nine employees. Currently the SAO has 93 employees. Over 97% of the employees have university degree, mainly in economics and law.

The trend of the increasing number of conducted audits over the years was mainly achieved by the increased number and skills of the state auditors, the application of information technology, the continuous professional training and the improvement of the working methodology based on the International Auditing Standards of INTOSAI. In this context, the World Bank project for SAO development and the cooperation with the Netherlands Court of Audit had an important role. Owing to the aforementioned activities, in 2005 the SAO started conducting performance audits. As of late the SAO is engaged in conducting follow up audits and theme audits. The SAO pays special attention to the improvement of audit quality in all phases of the audit.

Successful and modern operation of any professional institution would not be possible without establishing and maintaining international cooperation with other supreme audit institutions and their organizations. Since March 2001, the State Audit Office is a member of INTOSAI – the International Organization of Supreme Audit Institutions. In October 2002, the SAO became a member of EUROSAI – the European Organization of Supreme Audit Institutions. Thereby, the SAO has enriched its experience and significantly improved the quality of its work.

At the same time, since 2005 the State Audit Office is an active member of the network composed of SAIs of candidate countries and potential candidate countries for EU membership and the European Court of Auditors in Luxemburg. Joining the network has given the SAO the opportunity to benefit from the frequent contacts with colleagues from SAIs of the EU Member Countries. Since 2006 the candidate status of the Republic of Macedonia has allowed the State Audit Office to attend the meetings of the Contact Committee of the heads of the EU SAIs and the European Court of Auditors, as an active observer.

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¹ Following the UN reference, the former Yugoslav Republic of Macedonia.

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Auditors. Important input during the two-days' discussions on the main topics (cooperation between SAI and Parliament, experience from the negotiation process for EU accession, twinning cooperation between SAIs, results from parallel audits of projects financed by EU funds) was also given by the representatives – Heads of several SAIs from EU member countries.

In the past 10 years, the SAO participated in three INTOSAI Congresses and two EUROSAI Congresses. During the same period, the SAO established constructive cooperation with the supreme audit institutions (SAI) of: Bulgaria, Croatia, Slovenia, Turkey, Poland, the Netherlands, Sweden, Ireland, Czech Republic, Hungary, Greece, Romania, Slovak Republic, Lithuania, Albania and the European Court of Auditors in Luxemburg. The SAO has signed agreements for cooperation with several SAIs and it maintains successful cooperation with the European Court of Audit.

The World Bank Project for development of the SAO funded by the Dutch Government (2003-2005), achieved impressive results in terms of organizing and delivering training courses for the SAO staff, preparing performance audit manual, improving audit reporting and carrying out study trips in several European SAIs.

In December 2008 ended the three-year twinning project with the colleagues from the Netherlands Court of Audit (NCA) whose focus was improvement of the legal framework, SAO organizational and administrative capacity and development of auditors' skills and the IT audit. The cooperation between SAO and NCA continues in 2009-2010 through the MATRA Program financed by the Dutch Ministry of Foreign Affairs. The program aims at improving the organizational and the administrative capacities of the State Audit Office, and strengthening the audit skills, IT and IT audit, and the external communication.

Operating in surroundings where the processes of integration and globalization are constantly promoted, the cooperation with the INTOSAI, the EUROSAI, European Commission, the other EU organisations, World Bank and the OECD-SIGMA gives the State Audit Office significant support and guidance in becoming a competent external auditor in line with the international standards and best practices. ●

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EUROSAI, a progressing dynamic

DIDIER MIGAUD

Premier President of the Court of Audit of France

How could we, in our Europe still in the process of construction, forget the birth of EUROSAI? It took place on 20 June 1989 in Berlin, six months before the fall of the wall and on the eve of events that have transformed the face of Europe. None of us who took part in those events have forgotten it.

I have read and listened to the testimonies of personalities from that epoch, in particular those of François Logerot, who accompanied the Premier President André Chandernagor to the INTOSAI Congress that was held in Berlin, and who in turn came to hold the post of Premier President of the Court in 2001, having at all times carried out an enormous activity in the international life of the Court and of the Supreme Audit Institutions (SAI) in general.

The memory of that Congress held in Berlin still remains alive in his mind. He told me that – even in those days – the Congress examined the question of professional standards, and that this debate was particularly intense. That same Congress adopted new rules for the appointment of the Governing Board of INTOSAI aimed at facilitating the rotation and diversification of its members: The Governing Board became a more representative body of the different ways of organizing control and of the main geographical regions of the world; its composition was expanded, the rotation of its members was accelerated, and the pre-eminence was recognized of elected members over full members. This reform was important because it inspired the drawing up of the EUROSAI statutes the following year.

So it was an important Congress in the history of INTOSAI. Nevertheless, for us Europeans, it had a very special significance: it consecrated the birth of EUROSAI. Why were we the last to create our own regional group? Europe was divided in two, and the European Community had its own circle, the Contact Committee of Presidents of SAIs of this zone, which had been meeting every year since 1960. In 1989, the European Community consisted of only 12 States; now we are 27. But the European space was much larger and aspired to having its own forum of exchanges. Both in the West and in the East, there were those who showed that they were aware of this situation. In 1975-76, Spain and Italy suggested the creation of EUROSAI, but their proposal failed to prosper. A little later, in the East, others stated their wish to propagate the first effects of *perestroika*; in Hungary and Bulgaria, for example, there was a wish for greater contacts and exchanges.

In 1989, the appropriate moment had arrived. Our predecessors, meeting in June in Berlin, anticipated events which nobody dared to imagine at that time. Six months later, the barrier between East and West fell, the frontiers were shifted, and new States were born. EUROSAI became the precursor of the Europe of today.

André Chandernagor remembers the Paris Congress of 1999 which celebrated the tenth anniversary of EUROSAI: The decision to create EUROSAI was adopted on the occasion of an informal meeting of some of the European SAIs. It was a historic decision, followed immediately by a constituting declaration; a provisional committee was designated composed of representatives of Hungary, France, Sweden, Italy, Spain, Switzerland and the United Kingdom. This committee met on the same day, chaired by Sir John Bourn, Comptroller and Auditor General of the National Audit Office of the United Kingdom. In it, it was decided that Spain and Italy should take on the presidency and secretariat for the period of time needed for drawing up the statutes, and that Sir John

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**The independence
of our institutions
must be
confirmed,
reaffirmed and
defended time and
again.**

**The concern
to confirm our
independence
has led us to
strengthen our
ties and develop
our independence.**

**The EUROSAI
Training
Committee,
chaired joined by
France and Spain,
is the symbol
par excellence
of this collective
ambition.**

Bourn would be in charge of informing all SAIs in the European continent of the initiative that had been adopted in Berlin.

Let us devote a few moments to the theme of the Paris Congress: The independence of SAIs in Europe. This is a theme which continues to motivate us, as attested to by the tireless activity of the secretariat general of INTOSAI, as we have again seen recently in the Contact Committee of Presidents of SAIs of the European Union. The independence of our institutions must be confirmed, reaffirmed and defended time and again. It is an endless struggle, where we must never lower our guard. Our conclusions therefore insist on three dimensions for this independence: the SAIs must have means that effectively guarantee their independence; the independence has as its counterpart institutional responsibility; the independence is likewise expressed in their relations with the media.

I am not going to go back over the subject of the topicality of these statements, apart from emphasizing two points that seem to be me significant. I am above all surprised to see that the conclusions of the 1999 Congress already anticipated the principles of responsibility and transparency which we adopted in our last Congress, held in Johannesburg, with International Standards 20 and 21 of the Supreme Audit Institutions (ISSAI). This, indeed, leads us to consider that "independence has as its counterpart institutional responsibility which adopts variable forms according to the models of political organization". Our conclusions affirmed at the time that SAIs had to be exemplary and respect the principles of good management, transparency and responsibility which they recommended to the bodies they were controlling.

Second, I would like to probe into the paradox to which Pierre Joxe, Premier President of the Court of Audit and the President of EUROSAI at that time, made reference in his introduction to the minutes of the Congress¹. The concern to confirm our independence has led us to strengthen our ties and develop our independence. The closer together we are, the greater will be our autonomy. By creating its own working groups, EUROSAI has opened up the way to new synergies. And in this respect, it is significant that we have chosen a training strategy that is proper to our own space, which takes account of its specificities and is concerned to promote the development of the capacities of our institutions in their diversity. The EUROSAI Training Committee, chaired joined by France and Spain, is the symbol *par excellence* of this collective ambition.

The value of our organizations, both of INTOSAI and of EUROSAI, lies in creating this common space of communication and progress. The exchanges we establish in this space help us to make our ties closer, to strengthen our convergences and affirm our values. By providing a strategic plan harmonized with the approach of INTOSAI, EUROSAI will be able from now on to contribute even greater coherence and strength to our wish to construct this space. Although the path that has been taken over 20 years is considerable, thanks to the dynamism of those who preceded us, the one that we have before us demands at least the same amount of energy and imagination. Let us not hesitate to take it. ●

¹ *L'indépendance des Cours des comptes en Europe*, French magazine on public administration, N° 90, April-June 1999, International Institute of Public Administration.



20 years of EUROSAI – from initial idea to strategy

PROF. DR. DIETER ENGELS
President of the Bundesrechnungshof
(SAI of Germany)

In the year 2010, we celebrated the 20th anniversary of EUROSAI, the European Organization of Supreme Audit Institutions. EUROSAI was founded on 12 November 1990 in Madrid – almost exactly one year after the Berlin Wall had come down marking the end of a divided Europe. The history of the most recent regional organisation of INTOSAI provides impressive evidence of the fact that a long time before the fall of the “Iron Curtain” European SAIs had been highly committed to overcoming the split between Eastern and Western Europe.

Interest in establishing a European regional organisation of INTOSAI was evident as early as in 1974, at the VIII INCOSAI held in Madrid. As a result, SAI representatives of Spain and Italy prepared draft statutes and the idea was presented to the then nine members of the Contact Committee of the Supreme Audit Institutions of the European Union at their meeting in The Hague in May 1976. However Contact Committee members were focussed on tackling the challenges posed by constituting the European Court of Auditors and the idea of creating “EUROSAI” went no further at that time .

It was only after 1983 that informal talks were taken up again on the “EUROSAI initiative” (as it was then called) at the margins of the INTOSAI Congresses held in Manila and Sydney. In 1987, the Spanish and Italian SAIs again led in developing a set of draft statutes and in discussing the matter with the other European SAIs – the Italian SAI contacting the EC member states and the Spanish SAI contacting the former SAIs of Czechoslovakia; Hungary and the Soviet Union.

All these efforts finally led to the “Declaration of Berlin“, which was adopted in that still divided city on 20 June 1989 at the XIII INCOSAI by the delegates of the SAIs of Austria, Belgium, Cyprus, Bulgaria, Denmark, the Federal Republic of Germany, France, Hungary Ireland, Iceland, Italy, Yugoslavia, Liechtenstein, Luxembourg, Malta, the Netherlands, Norway, Portugal, Sweden, Spain, Turkey and the United Kingdom. “*Conscious of the common cultural heritage of the peoples between the Atlantic and Urals and between Mediterranean and North Cape, and convinced of the necessity of effective public audit for orderly government administration*” they decided “*to form a European Organization of Supreme Audit Institutions (EUROSAI) as a Regional Group within INTOSAI.*” A committee made up of SAI representatives from France, Hungary; Italy, Sweden, Spain, Switzerland and the United Kingdom was tasked with discussing unresolved matters such as EUROSAI membership criteria, finalising the statutes and arranging a founding congress. In September 1989, at a time when a political turning point was reached in the tumultuous political events in Central and Eastern Europe, the draft EUROSAI statutes were refined and sent to all European SAIs for comment.

At the invitation of the head of the Hungarian Central Committee of the People’s Control (predecessor of the Hungarian SAI) the Chairman of INTOSAI, the President of the German SAI, presented the draft statutes at the Conference of SAIs of socialist countries held in Velence from 2 to 3 October 1989. The vast majority of congress delegates expressed a keen interest in working together within EUROSAI and, subsequently, the Committee in charge of preparing the EUROSAI founding congress received comments from partner SAIs all over Europe on the statutes. Meanwhile the world watched as, a little later, the Berlin Wall finally came down,

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In the following months, the EUROSAT project took shape leading to the founding of EUROSAT at the EUROSAT Constitutive Congress in Madrid on 12 to 13 November 1990, immediately followed by the I EUROSAT Congress. Apart from adopting the statutes, the Congress decided to promote the exchange of documentation and information, initial and continued training and technical cooperation among EUROSAT member SAs.

The accomplishments of EUROSAT give ample proof of the fact that the efforts made by the organisation over the past 20 years have been crowned by success. In addition to sharing knowledge and lessons learned members have supported and benefited from the activities of EUROSAT's working groups and committees. For example, the IT Working Group (initially chaired by the Netherlands SAI and later by the Swiss SAI) and the Group on Environmental Audit (chaired in-turn by the SAs of Poland and Norway) can look back on a track record of many projects such as self assessments, parallel audit missions for example on the Implementation of the Helsinki Convention and the international grants in aid of the Chernobyl Shelter Fund. The Training Committee chaired by France and Spain provided support to EUROSAT Members in carrying out a number of training events and considered how training and capacity building could be better integrated in the region.

EUROSAT has always taken up and studied topics of current interest. To take one example, project related working groups were set up to conduct coordinated audit work on tax subsidies and on preparing a Guideline on Audit Quality. Another example is the European SAs' initiative and efforts undertaken by the Task Force on the Audit of Funds Allocated to Disasters and Catastrophes coordinated by the Ukrainian SAI.

The great variety of EUROSAT's Members (currently some 50 SAs) is a major feature of the EUROSAT Organisation. They represent diverse government audit and accountability systems (such as the Westminster model, courts of audit and boards of audit). SAs also have diverse audit mandates and differing levels of institutional development and the EUROSAT region encompasses many different national languages. Further evidence of this European diversity can be seen in the range of other international organisations - such as the European Union (EU), the central and Eastern European countries (CEECs), the Commonwealth of Independent States (CIS) - and the fact that they represent largely differing types and scopes of action. In this environment EUROSAT provides a valuable common ground within which its members can discuss, explore to the challenges posed by the needs and priorities in the field of external government audit.

However, the great variety of EUROSAT Member SAs is not only a major feature but also a major merit of the EUROSAT Organisation. EUROSAT Member SAs are guided by the principle of inclusiveness which means sharing lessons learnt and discussing problems and how to solve them constructively. Taken together this variety, the diverse perspectives and approaches and the sharing of lessons learned has provided a rich source for EUROSAT Member SAs to draw on when working together. It has also become the driving force behind both the success of EUROSAT's collaborative projects as well as a major source of mutual inspiration in the continuing process of restructuring, developing and reforming EUROSAT since its foundation. The decision of the VII EUROSAT Congress in Krakow in June 2008 to design EUROSAT's first Strategic Plan, which is currently being drafted, is a concrete current example of this mutual inspiration in action. Inspiration is also reflected in the frankness and transparency that govern the fruitful discussions held by EUROSAT members when commenting on the various draft documents presented to them; and in the formulation and expression of the organisations draft strategic goals that build on the ideas of sharing opinions, information and knowledge.

EUROSAT has always been and will continue to be an organisation fit for the future. While we celebrate its 20th anniversary, my sincere hope is that, even against the background of the constant need to adapt to changing environments, EUROSAT should maintain its orientation and its ambition. I am confident that it will, and that as a result future generations within our SAs will also be able to look back on a history of achievements as they celebrate EUROSAT's 30th, 40th and 50th anniversary to come. ●

EUROSAT has always been and will continue to be an organisation fit for the future.



The Supreme Court of Audit as a Constitutional Guarantee of Transparency: Principles, Issues, Perspective

DR. IOANNIS P. KARKALIS
Judge at the Supreme Court of Audit of Greece

I. INTRODUCTION

The Greek Court of Audit¹ was established in 1833.² Its organizational structure and its competences were basically based on the French model of the “Cour des comptes”.³ The establishing decree provided for one President, the Prosecutor General of the State, one Vice President and four Auditors.

The initial competences of the Court were basically the supervision of the public accountings in general. The Court was for the first time guaranteed by a constitutional rule in the Greek Constitution of the year 1844, where the members of the Court were mentioned along with all other Greek judges as equal. Afterwards, it was incessantly mentioned in the following the aforementioned year Greek Constitutions of the years 1911, 1925, 1927, 1952 and 1975/1986/2001. The first constitutional reference to its competences was made by the Constitution of 1975.

It is important to be noted that during the period between 1864 and 1923 the Court was upgraded, assigned with new major competences. The successful execution of its duties towards a more transparent financial administration of the State led to a general recognition of the importance of its institutional presence and consequently to the attribution of new competences.

II. THE COMPETENCES OF THE SUPREME COURT OF AUDIT

According to article 98 of the Greek Constitution of 1975/1986/2001 which provides for the Court of Audit, the Greek audit institution is a supreme court. The aforementioned article is included in the Second Chapter of the fifth Section of the Constitution,⁴ which, under the title “Organization and Jurisdiction of the Courts”, refers to all Greek courts and the personal and operational status of the Greek judiciary in general. Article 98 paragraph 3 is also the solid legal basis guaranteeing that the Court of Audit is a supreme one, as it clearly mentions that the decisions of the Court cannot be subject to the control of the Council of the State, which is the other administrative Supreme Court.

The Supreme Court of Audit is competent for: a. The audit of the expenditures of the State and of all local agencies or other public entities subject to its competence by special laws. b. The audit of public contracts of high economic value. c. The audit of the accounts of all public accounting officers. d. The provision of an expert’s opinion upon laws on pensions and on any other matter provided for by law. e. The presentation to the Parliament of a Report on the Annual Financial Statement and the Balance Sheet of

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A. The auditing competences.
B. The consulting competences.
C. The jurisdictional competences.

¹ Ελεγκτικό Συνέδριο (Elegktiko Synedrio) in Greek.

² By the Decree of 27 September/9 October 1833.

³ See in: La Cour des comptes d’ hier à demain, Actes des journées Cour des comptes – Université, Strasbourg, 13 – 14 mai 1977, LGDJ, Paris 1979. J. – L. Chartier, Le juge financier, RFFP, No 58 (1997), p. 87 et seq.

⁴ Under the title: “The Judicial Power”.

the State. f. The trial of legal remedies on disputes arising from pension grants and from the audit of the accounts of all public accounting officers. g. The trial of cases concerning the liability of all public servants.

According to the aforementioned provisions, the competences of the Court can be classified into three major categories: A. The auditing competences (subcategories a, b and c above). B. The consulting competences (subcategories d and e above). C. The jurisdictional competences (subcategories f and g above). All three categories are concerned as judicial competences, directly attributed to and guaranteed by a supreme court.

According to paragraph 2 of the aforementioned article 98 of the Constitution, “The competences of the Court of Audit shall be regulated and carried out as specified by law”. Presidential decrees 774/1980⁵ and 1225/1981⁶ provide for the necessary details in order to materialize efficiently the constitutional attributions.

Article 15 of the Presidential Decree 774/1980 prescribes that the Supreme Court of Audit:

“1. Audits the expenditures of the State, in accordance with article 98 of the Constitution, as well as the expenditures of Local Government Agencies or other Public Corporate Bodies, submitted to its audit competence.

2. Carries out an a posteriori audit upon: (a) the accounts of the Public Accounting Officers⁷, the Local Government Agencies and other Public Legal Entities, the Self-administered Organisations, as well as any other Public Service, which is not organised as a legal entity itself, yet it functions as if it was decentralised from the State Budget, either under self administration or as a special account, (b) the off-budget account, established by the provision of law 992/1979 article 26 paragraph 1, under the title “Special Account for the Guarantee of Agricultural Products” and (c) expenditures of any nature, being subject to its a posteriori audit, in accordance with law 992/1979 article 28 paragraph 2, effected by any person or legal entity and deriving from the European Community funds.

3. Monitors the revenues of the State.

4. Adjudicates on the Annual Financial Statement and the Balance Sheet of the State.

5. Supervises the Public Accounting Officers in accordance to the Financial Accountancy Rules.

6. Supervises the Public Accounting Officers’ guarantees in accordance with the existing legislation.

7. Adjudicates on the discharge of the Public Accounting Officers who are reporting before the Court for any loss, lack or damage of funds, materials or payment documents of any nature.

8. Tries legal remedies against acts or omissions of the Minister of Finance, when exercising his competence to execute acts or decisions of pension regulation chargeable to the State Budget or the payment of pensions in general, including those pertaining to the imputation of a pension illegally paid.

9. Gives its expert opinion, according to the provision of article 73 paragraph 2 of the Constitution, upon draft of laws pertaining to the amendment of the pension legislation, the granting of pensions or the acknowledgement of service for granting the right to a pension, in all cases when the pension is affecting the State Treasury or the Budget of Public Legal Entities.

⁵ Official Gazette A’ 189/1980.

⁶ Official Gazette A’ 304/1981.

⁷ In principle, public servants with a specific responsibility. See: *C. Descheemaeker, L’ examen du compte de la gestion de fait et les condamnations à des amendes*, RFFP, No 66 (1999), p. 65 et seq. *G. Devaux, La comptabilité publique*, tom. I, Les principes, PUF, 1957.



10. Gives its opinion on matters subjected to it by Ministers, provided that the requested opinion shall not be considered as a prejudgement for its future acts or decisions expected to be issued on a specific case.

11. Tries cases concerning the civil liability of: (a) Public Servants for any damage caused to the State because of fraud or gross negligence, (b) Servants of Public Legal Entities, according to the legislative decree 496/1974 and (c) Servants of Local Government Agencies.

12. Tries the objections arising from the audit of the accounts of Public Accounting Officers.

13. Tries appeals against all acts of imputation issued by Ministers or other authorised administrative bodies, collective or not, concerning the management of funds or material of the State or of Public Legal Entities, which, according to the existing legislation, are subject to its competence.

14. Tries appeals (a) against acts of the Units of the Court, (b) against acts of pension regulation issued by the Pension Division of the Ministry of Finance (State's General Accounting Office), (c) against the decisions of the Committee controlling the acts provided for by article 1 of the emergency law 599/1968 and (d) against acts of the Committee provided by article 4 of the aforementioned emergency law.

15. Tries appeals against imputation acts, issued by the Prefects, according to article 58 of the legislative decree 3033/1954.

16. Tries suits for imputation of a municipality or a commune.

17. Carries out duties allocated to it by any other law".

Further more, according to article 19 paragraph 7 of the presidential decree 774/1980, "in all cases of public supplies and public services, where the expenditure exceeds the amount of € 1,500,000, as well as in cases of public works, where the expenditure exceeds the amount of € 2,900,000, an audit of legality upon the relevant contract prior to its signing, is compulsorily carried out by the competent Units of the Court (...). If no audit is carried out, the contract is deemed to be non valid. For the purposes of the audit in question, the competent Minister or body submits to the Court a file, which includes all the relevant documentation, especially those documents, the lack of which will result to the exclusion of the company participating to the competition, according to the law in force. Such audit may also be carried out, upon request placed by the competent Minister or Contracting Authority, in relation to all parts of the procedure preceding the signing of the contract. The audit should be concluded within thirty (30) days from the submission of the relevant file. The Units are set up by a Judge Counsellor and two Second – Rank Judges. A Second – Rank Judge may be substituted by a First - Rank Judge, who has been in place for at least three (3) years, including the probation period. Application for revocation of the Units' acts in case of mislead regarding facts or legislation may be submitted before the competent Section by any party with great legitimate interest or the General Prosecutor of the State, in favour of public interest within fifteen (15) days from notification to the competent Minister or the Contracting Authority. This application is also notified without delay to any party with legitimate interest. The President of the Judicial Section may also instruct the notification of the same application to others deemed to claim great lawful interest. In case an application for revocation is submitted, those claiming great lawful interest may submit memoranda within three (3) working days from the submission of the specific application. This deadline may be prolonged for three (3) more days. The competent Section examines the applications in question and pronounces its decision within thirty (30) days from submission. No other application for revocation is allowed. The same Judicial Section decides upon queries stemming from eventual misinterpretation of legislation, or contradictory acts or minutes of the Units. Such query is brought before the Judicial Section either on the initiative of whoever claims legitimate interest, or by the Presi-

The President of the Judicial Section may also instruct the notification of the same application to others deemed to claim great lawful interest.

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dent or the General Prosecutor of the State of his own motion. In case of query, the Unit forwards the issue immediately to the competent Section, which should pronounce its decision within thirty days (30) from submission of the query in question”.

III. THE ORGANIZATIONAL STRUCTURE OF THE SUPREME COURT OF AUDIT

The Supreme Court of Audit consists of 7 Judicial Units, which are the lowest (first) level of judicial protection within the Court. Cases against the decision of the Judicial Units can be transferred, after the lodging of an appeal, to one of the 8 Judicial Sections, which are the upper (second) level of judicial protection within the Court. Finally, the Plenum of the Court is competent for the overall decisions on legal issues concerning the sound interpretation and the correct application of the provisions concerning the cases that have been judged by the Judicial Sections.

The Court has 131 posts for judges and 645 posts for judicial employees. The head of the Court is the President, chosen by the Cabinet upon a proposal of the Minister of Justice for a non-renewable period of four years. The Cabinet is obliged to choose one of the acting Vice-Presidents or Judge-Counselors of the Court. The President presides over the Plenum of the Court. There are 8 Vice Presidents, also chosen by the Cabinet upon a proposal of the Minister of Justice among the Judge – Counselors of the Court. The Vice Presidents preside over the equal-in-number sections of the Court. There are 30 Judge-Counselors, 44 Second-Rank Judges and 45 First-Rank Judges. All Judge-Counselors, as well as the Vice – Presidents, participate at the Plenum of the Court and at one of the Sections of the Court. The First-Rank Judges provide all the necessary assistance concerning the preparation of the pending cases and assist the Judge-Counselors and the Second-Rank Judges. They are present in the deliberation of the Sections, but they do not have the right to vote. The Second-Rank Judges participate actively at the deliberating process of the Sections and they have the right to a consulting vote. The Judge-Counselors, as well as the Vice Presidents are the only ones who have the right of a casting vote.

Within the Court, there is the Bureau of the General Prosecutor of the State,⁸ where exist four judicial posts for equal-in-number judges: The General Prosecutor of the State, office of the same grade to that of the President of the Court, the Prosecutor of the State, office of the same grade to that of the Vice-President and three Vice-Prosecutors of the State, office of the same grade to that of the Judges-Counselor. The competence of the Bureau of the General Prosecutor of the State pertains mainly to the defense of the Public Interest. Within this framework, the General Prosecutor or one of his substitutes must be informed for any proceeding held before the Judicial Units, the Judicial Sections or the Plenum, sits on the bench during the hearing of a case and has the right to appeal against any decision of the Judicial Units or the Judicial Sections. The General Prosecutor of the State is chosen by the Cabinet upon a proposal of the Minister of Justice for a non-renewable period of four years. The Cabinet is obliged to choose one of the acting members of his Bureau (Prosecutor of the State or Vice-Prosecutors of the State), or one or the acting Vice-Presidents or Judge-Counselors of the Court. All the other judges of the Bureau of the General Prosecutor of the State are appointed, after having been chosen among the Judge-Counselors and the Second-Rank Judges of the Court by a Supreme Judicial Council, composed only of supreme judges of the Court.

The judicial employees of the Court are mostly auditors, who undertake auditing duties under the supervision of the judges of the Court. However, some of them have administrative duties only.

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of the Court.**

⁸ Concerning the competences of the General Prosecutors in Europe see: Colloque des procureurs généraux près les Cours des comptes de l' Europe, Actes du colloque, Paris, 4 – 5 juin 1992.



IV. THE INSTITUTIONAL ROLE OF THE SUPREME COURT OF AUDIT

The Greek Audit institution is a supreme court. It acts as an external auditor, guaranteeing the legality and regularity of all public expenditures.

The three aforementioned auditing competences of the Court [(a) the audit of the expenditures of the State and of all local agencies or other public entities subject to its competence by special laws, (b) audit of public contracts of high economic value and (c) audit of the accounts of all Public Accounting Officers] aim at the provision of an a priori guarantee that all public spending is done as provided for by the Legislative Power, that is by the People.

At the same time, the two abovementioned consulting competences of the Court [(a) the provision of an expert's opinion upon laws on pensions and on any other matter provided for by law and (b) the presentation to the Parliament of a Report on the Annual Financial Statement and the Balance Sheet of the State] constitute a mainly independent institutional opposition. The findings of the Court cannot be questioned or doubted, as they emerge through a strictly judicial procedure. In this framework, they can be a solid base for discussion in the Parliament and they can raise public awareness (through the Media for example), free of the possibility of an accusation of political instigation as they derive from the independent Judiciary. Thus, the Supreme Court of Audit becomes a major and very important factor of Democracy.

The jurisdictional competences of the Court [(a) the trial of legal remedies on disputes arising from pension grants and from the audit of the accounts of all Public Accounting Officers and (b) the trial of cases concerning the liability of all public servants), which constitute in number the majority of the work done by the Court, is the last but not least of the its important contributions to the attainment of the principle of Democracy. The judicial intervention of the Court at the public financial management through the judgments on matters having a public financial effect is of crucial importance as it provides with the stability of *res judicata* all the administrative acts that are directly or indirectly related to it and at the same time, it judges the conformity of the products of the legislative power with the Constitution.

All the above, acting separately and together, reduce all the fractions at the same denominator, all the financial functions of the State (Executive and Legislative Power) before the Court. Thus, the role of the Court, as provided for by the Constitution, is that of a final maximum guarantee of legality and regularity that is of transparency and anticorruption.

It must be noted that, corruption, which is the main factor of obtuseness of the Public Administration, is a very complex phenomenon, usually perceived by its effects.⁹ The beyond reasonable doubt proof that corruption has taken place in a specific administrative procedure, public works for example, is a very difficult task.

The Greek audit institution is an external auditor. This means that the audits performed are completely independent, not only of the auditee, but also of any internal auditing procedure. The Greek audit institution, being an external auditor, does not place reliance on internal auditors. Although it stays in contact with them, *Elegtiko Synedrio* is a court, which means that it belongs to the Judiciary, while on the other hand, the auditees belong to the executive branch of the State. Moreover, the Greek audit institution, being a supreme court as has already been mentioned, maximizes its degree of independence.

The Greek audit institution, being an external auditor, does not place reliance on internal auditors.

⁹ See *H. Alatas*, *The sociology of corruption: The nature, function, causes and prevention of corruption*, D. Moore Press, Singapore 1968. *L. P. Shaidi*, *Corruption and underdevelopment*, Institute of Criminology, University of Cambridge, Cambridge 1981.

¹⁰ See in comparison : *J. Berthe*, *Le rapports entre le Parlement et la Cour des comptes*, "La responsabilité des comptables publics », *Les rapports des Parlements et des Cours des comptes*, Actes des journées Cour des comptes – Université, Toulouse, 13 – 14 février 1978. *B. Beck*, *La Cour des comptes et le Parlement*, Mélanges en l' honneur de P. M. Gaudemet, Economica, Paris, 1984.

The Annual Report is a compilation of all findings of the auditing activities of the Court, followed by observations and suggestions on reform and improvements.

The relation of the Supreme Court of Audit with the Parliament¹⁰ is limited to the submissions of (1) the Annual Report and (2) the Declaration on the Annual Financial Statement and the Balance Sheet of the State. Both reports are discussed during sessions of the Plenum before their submission. Once submitted, the Parliament proceeds debating the arising issues and is competent to give its discharge to the State Budget. The Annual Report is a compilation of all findings of the auditing activities of the Court, followed by observations and suggestions on reform and improvements. The Declaration on the Annual Financial Statement and the Balance Sheet of the State is a statement that the accounts presented by the Minister of Finance are correct.

The only link between the Court of Audit and the other two Powers of the State (Executive, Legislative) exists at the area of the appointment of its President, General Prosecutor of the State and Vice Presidents, which is made by the Cabinet (Prime Minister, Council of Ministers). Although the initiation of disciplinary action against the judges of the Court is attributed by law to the Minister of Justice, a Judicial Council is only competent to impose sanctions on them. Also, despite the fact that a First – Rank Judge is only appointed by a presidential decree, the admission of newly appointed judges is obligatory for the Minister of Justice for all those who successfully have entered at and graduated from the National School of Judges.

In relation to the aforementioned subject of corruption, it must be said that among the many methodological classifications on the anticorruption measures, procedures and practices, the most important, from a legal point of view, is the classification on the solid basis of the target of the institutional intervention. In principle, every intervention aiming at the subject of corrupted behaviour is a “subjective institutional anticorruption measure”, while on the other hand every intervention aiming at the object itself (i.e. the field of action or the behaviour itself) without caring for the subject of the corrupted behaviour is an “objective institutional anticorruption measure”. Within the range of the first category we can find the penal or administrative disciplinary procedures, while the second category contains a rather multi-level set of procedures, the most important of which, in the case of Greece, is in the competence of the Supreme Court of Audit.¹¹

As far as the aforementioned example of public works is concerned, where a great amount of money is endangered if the financial administration is corrupted, it must be stressed that the procedure of public contests leading to the award of a public contract is – and should be – very detailed and strict. If not, any kind of “objective anticorruption measure” (such as the procedure described) will surely end up ineffective and pointless.

The same remark applies at the very much larger area of public expenditure apart from public works, commissions and services, where the a priori auditing procedure of payment orders exists, complementary to the a priori auditing procedure of public contracts of significant economic value. The coexistence of the two procedures secures the overall system of the a priori audit in such a way that no area of public activity is left unexamined. Given that the legislation in the abovementioned fields is detailed and strict, it is really difficult for public officials who are willing to be corrupted to succeed in doing it.

In addition to the above, the existence of the a posteriori audit of the Greek Public Accounting Officials, liable to render account at the Supreme Court of Audit, maximizes the level of awareness in the administration of public money. The strict application of procedures is a very important precondition for the discharge of the public servants who deal with financial activities. Nevertheless, the great disadvantage of this procedure too remains its dependence to the work of the Legislative Power, which, when not too detailed, it leaves to the executive a great possibility of discretion.

The strict application of procedures is a very important precondition for the discharge of the public servants who deal with financial activities.

¹¹ See: I. Κάρκαλης, Αντιδιαφθορά & Ελεγκτικό Συνέδριο, εκδ. Σάκκουλα, Αθήνα – Θεσσαλονίκη 2006.



Also, the a posteriori audit of the Public Accounting Officers is totally independent of the penal procedure that can occur in cases of criminal actions committed by them. The penal procedure that is in the competence of the penal courts and begins with the prosecution, which is in the competence and responsibility of the penal Public Prosecutor, can be a parallel procedure to the a posteriori audit system. Also, if during the conduct of an a posteriori audit actions that can be crimes are observed, the competent penal Public Prosecutor's office is notified in order to start the prosecution procedure.

Moreover, according to the Greek constitution, the Supreme Administrative Court (Council of the State), is competent to receive applications for the annulment of individual or normative administrative acts. Among the individual administrative acts that can be reviewed by the Council of the State are the final acts of the contracting authorities. The judicial review and the annulment of an administrative act awarding a public contract can take place before the Council of the State after an application (for annulment) from anyone of the participants of the public contest. The Court can annul the act in the case of a breach of law. Consequently, the Council of State examines, in this procedure, the same legal parameters that have been examined by the Supreme Court of Audit, as mentioned above. Yet, there is a great difference; the initiation of the procedure before the Council of the State depends on the initiative of the participants, who must make allegations against the legality of the procedure of the contest. The coexistence of the two procedures (before the Supreme Court of Audit and before the Council of the State) is to the benefit of the public interest and the protection of the public funds.

In a nutshell, the Supreme Court of Audit is the institutional guarantee that all public spending is legal, regular, transparent; in any case, not the product of a corrupted transaction. The role of the Supreme Court of Audit in the battle against corruption is of great importance. Nevertheless, the success of its mission depends very much on the will and the capacity of the Legislative Power. If the legal framework is not detailed and strict, then the Court cannot be effective. Preventing is always better than healing. In the case of Public Administration, auditing is the best form of prevention, able to lead to a more efficient and effective public management; thus to a more self fulfilling democracy.¹² ●

Nevertheless, the success of its mission depends very much on the will and the capacity of the Legislative Power.

¹² See *Franc Mordacq*, *La réforme de l'État par l'audit*, ed. LGDG (Collection Systèmes – Finances publiques) 2009.

SAIs as a Guarantee for Transparency and Sound Management of Democratic States

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Enhancement of the transparency concept

In the last fifteen-twenty years, transparency has become one of the most important requirements towards budgetary policy. In the meantime, the concept has also been continuously expanding and developing. Initially, when the topic was fiscal transparency, requirements were formulated towards the central budget and the operation of budgetary agencies. Later it became obvious that the majority of these requirements should be extended to the entire general government, the complete government sector as well as to non-governmental organisations, which use a great deal of public funds. The 'sudden' shock of the budgetary equilibrium of a few countries also taught the experts that transparency also had to be applied to commitments exceeding the fiscal year, because government commitments, hidden outside the budget, and due only a in a few years' time, will sooner or later appear as actual payment obligations of the state stretching the framework of the budget of the applicable years.

Consequently, the concept of fiscal transparency means a lot more than the regularity of fiscal processes of a particular year. The requirement of transparency needs to be applied to the entire system of planning for the use and the actual use of public monies and the reporting thereon covering a time horizon to which the public commitments extend.

The enhancement of the concept of transparency is illustrated well by the fact that the Code of Good Practices on Fiscal Transparency, adopted by the International Monetary Fund in 1998, has had to be modified several times. The latest version, published in 2007, classified the requirements of fiscal transparency around four topics. These are:

- clarity of roles and responsibilities;
- open budget processes;
- public availability of information;
- assurances of integrity.

The more than fifty requirements listed in the Code could not be possibly described in this article. However, in order to confirm what was written above, I would like to highlight two requirements.

- The Code underlines that information comparable to that in the annual budget should be provided for the outturns of at least the two preceding fiscal years, together with forecasts and sensitivity analysis for the main budget aggregates for at least two years following the budget.

- Another requirement that is stated in the Code relates to statements describing the nature and fiscal significance of central government tax expenditures, contingent liabilities, and quasi-fiscal activities, which should be part of the budget documentation, together with an assessment of all other major fiscal risks.

Naturally, the transparency of operation of a democratic state cannot be limited to the transparency of its fiscal management. However, the requirements towards the latter may also be extended to the operation of the entire state. The clarity of roles and responsibilities, public availability of information and the assurances of integrity are the major components of transparency, and may also be interpreted more extensively.

The enhancement of the concept of transparency is illustrated well by the fact that the Code of Good Practices on Fiscal Transparency.



The key role of the Supreme Audit Institutions in ensuring fiscal and more generally applied transparency is likewise a common point.

The Supreme Audit Institutions (SAIs) as guarantees for fiscal transparency

The Code of Good Practices on Fiscal Transparency states that the fact that fiscal information should be externally scrutinised is an important guarantee for integrity. An audit by the supreme audit institution is an important tool for this. Public finances and policies should be subject to scrutiny by a national audit body or an equivalent organisation that is independent of the executive. In international practice, there are SAIs which may audit the entire process of planning, implementation of, and reporting on the budget, while the legal authorisation of others involves the control of only certain components of this process. The 5th EUROSAI Congress held in Moscow in 2002 exhaustively addressed the potential role of SAIs in fiscal audit and came up with recommendations, which are still effective¹.

- Each country intends to nationally adopt and use what is considered an internationally accepted best practice; this would allow the SAIs to audit the use of state finances, and to do the reporting in accordance with INTOSAI standards and with due transparency ensured.

- In addition to the transparency of the state budget, the parliaments increasingly demand reliable and verified information on the amount of spending by the state and on spending items, and also on what are the social and economic benefits and effectiveness of public money spending.

These recommendations again make it clear that when SAIs work on increasing the transparency of public finances, they are not only performing a regularity audit, but they must also contribute to the more effective use of public funds. Consequently, their audit activity creates value.

It is important to note that the Code also sets a requirement for the transparency of the activities of the independent audit institutions by stating that the national audit body or equivalent organization should submit all reports, including its annual report, to the legislature and publish them. Expounding on the same requirement, we can conclude that the transparent operation of the institutions auditing the use of public monies is one of the components of the transparency of public finances. Naturally, this is not a new revelation. INTOSAI has already issued an international standard for SAIs on the principles of transparency² and accountability. The preamble of the document containing these principles states that the rule of law and democracy are essential foundations for independent and accountable government auditing and serve as the pillars on which the Lima Declaration is founded. Independence, accountability and transparency of SAIs are essential prerequisites in a democracy based on the rule of law and enable SAIs to lead by example and enhance their credibility. Accountability and transparency are two important elements of good governance. Transparency is a powerful force that, when consistently applied, can help fight corruption, improve governance and promote accountability.

The INTOSAI international standard defines the concept of transparency applicable to SAIs as follows: 'The notion of transparency refers to the SAI's timely, reliable, clear and relevant public reporting on its status, mandate, strategy, activities, financial management, operations and performance. In addition, it includes the obligation of public reporting on audit findings and conclusions and public access to information about the SAI.'

¹ Recommendations of the 5th EUROSAI Congress: The SAI and State Budget Audit.

² ISSAI-20 Principles of transparency and accountability. Accessibility: www.issai.org.

The key role of the Supreme Audit Institutions in ensuring fiscal and more generally applied transparency is likewise a common point.

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The crisis had a lesser impact on those countries which pursued a balanced macroeconomic policy with strict financial regulations and supervision.

Quality assurance has a prominent role in creating transparent operation for SAIs. Consequently, it was a great honour for the State Audit Office of Hungary to lead the EUROSAI task force which dealt with this topic. Of the draft paper elaborated by the task force summarising the options for creating a quality management system for the audits of SAIs, I would like to highlight the part which defines the six main elements of the quality management system of audits. They are the following:

- **Leadership** is important in developing the mission, vision, values, ethics and culture of the SAIs and acting as role models of excellence.
- **Strategy and Planning** defines how the organisation implements its vision and mission.
- **Human resource management** is essential in the development of an internal culture based on quality, excellence and continuous improvement.
- Building quality into the **audit process** includes activities (e.g. elaborating standards, guidelines, procedures, methods; and providing support) that ensure effective implementation, supervision and review in all phases of the audit work.
- **External relations with stakeholders** provide independent sources of information on audit quality, and form an objective basis for quality assessment of the audit activity of an SAI.
- **Continuous development and improvement** is a management approach that consistently ensures the high quality of audit results and the satisfaction of stakeholders through appropriate measures, established procedures and methods.

Consequently, improvement of the transparency of the operation of the state is a dual challenge for SAIs. On the one hand, relying on the basic principles of INTOSAI and EUROSAI, they must act as advisors and propose the elaboration of legislation which makes the operation and management of public funds of the public agencies more transparent, which also includes ensuring the independence and adequate legal status of SAIs. On the other hand, they must strive to ensure that their own activities enjoy public confidence.

Renewal of the audit concept of SAIs

The global economic crisis of the recent past has forced the supreme national audit institutions (state audit institutions) around the world to re-interpret their audit concepts. The crisis had a lesser impact on those countries which pursued a balanced macroeconomic policy with strict financial regulations and supervision. This lesson specifies the potential role of state audit institutions in the prevention and mitigation of the severity of similar crises. Depending on their scope of authorisation, the national audit institutions may help improve the sustainability of public finances, identify implicit government guarantees and boost accountability in the public sector, as well as enhance the transparency and reliability of the financial reporting system.

One of the important lessons of the crisis was that the states had to guarantee the operation of financial institutions by occasionally mobilising large amounts of public funds despite not having assumed any explicit guarantees for it previously. Consequently, it is important to create reserves within the financial system which may release the state from its obligation to pay such implicit guarantees and, on the other hand, states must also try to mitigate the systemic risks of the financial sector, including the use of public funds, with adequate regulations. Specifically this may mean that the audit institutions assess, within the framework of a systems audit, whether or not the financial regulatory system complies with the requirements of good governance (e.g. clear and measurable objectives, clearly regulated responsibility and reporting system), and evaluate the quality and reliability of the financial information concerning state property, receivables and public liabilities.



Activities of the State Audit Office of Hungary aimed at enhancing the transparency of public funds

The Constitution and the Act on the SAO ensure the independence of the State Audit Office of Hungary from the executive power and the competencies with which the SAO can provide efficient assistance to the National Assembly and the Government to improve the transparency of public finances. The most important obligation of the SAO, the main financial and economic audit institution of the state and the financial audit institution of the National Assembly is to bring the anomalies in the planning and use of public funds to the attention of the National Assembly with its audit reports. The SAO not only detects irregularities, but also discloses, through its performance audits, if the tax revenues are not spent effectively, economically and efficiently, or if reliable information, from which efficiency and effectiveness can be concluded, is missing.

One of the most important components of the activities of the SAO is the audit of the final accounts, through which it gets an overview of the operation of the entire general government sector and informs the National Assembly on the experience acquired as a result during the discussion of the bill on the final accounts. Let us take a look at a specific example of how the SAO could help enhance transparency with its recommendations stated in relation to the audit of the final accounts.

One of the functions of the final accounts is to give an exact overview to the National Assembly on the fulfilment of the requirements of the Act on the Budget. However, the bill on the final accounts, submitted to the Hungarian National Assembly, did not contain the relevant information in a transparent manner. For example, contrary to the provisions of the Code, it is difficult to compare years or monitor the fulfilment of goals, and there is no systematic summary of long-term commitments because of changes in the information content. Consequently, I made a recommendation for regulating in more detail in the Act on Public Finances the process of preparing the final accounts, and specifying the required content and format for the presentation of the bill on the final accounts.

The SAO is one of the few SAIs which assist the activities of the National Assembly even during the approval of the state budget. The law specifies that the National Assembly must discuss the budget appropriation bill together with the opinion of the SAO. The SAO expresses its views on the foundation of the budget appropriation bill and the feasibility of the revenue appropriations, i.e. it does not take a position directly on any of the Government's concepts concerning social and economic policy. The auditors not only study the provisions of the bill and analyse the figures of the attached annexes, but during their on-site audits, they try to ascertain whether or not the rows of the budget appropriation bill are substantiated. The SAO opinion prepared in this manner significantly contributes to the transparency of the budget processes.

The Code of Good Practices on Fiscal Transparency also states, as a guarantee for integrity, that independent experts should be invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and their underlying assumptions. In Hungary, this requirement was not fulfilled until the middle of the 2000s, which contributed to the fact that between 2002 and 2006 the budget deficit was always higher, in some years significantly higher, than the deficit forecast in the Act on the Budget. Consequently, in 2007 the SAO itself took steps to enforce this requirement of transparency. It commissioned its Research Institute³ to prepare an analysis of the macroeconomic risks of the 2008 budget appropriation bill. The Institute developed a new

³ As far as I know, the SAO is unique in Europe, because it has also a Research Institute which is independent from it as an organisation. The institute, with only nine members, prepares analyses supporting the advisory activities of the SAO. With its studies aiming at clarity, it helps Members of Parliament and all interested parties obtain more in-depth information about some important aspects of public finances.

methodology⁴ for the risk analysis. This way the Members of Parliament received not only the official SAO position statement on the 2008 budget appropriation bill, but the macroeconomic risk analysis of the Research Institute as well. Several MPs referred to the correlations and tendencies described in this document in their contributions to the discussion on the budget appropriation bill. Some of the risks indicated in the analysis actually occurred (e.g. GDP growth was lower, but inflation was higher than forecast in the government's projection). The Research Institute conducted the risk analysis for the 2009 budget appropriation bill as well⁵, pointing out the severe negative impacts of the international financial crisis on the Hungarian economy.

The question arises whether or not the analysis of budgetary and macroeconomic risks is a task for SAIs. Naturally, the answer depends on the rights of the supreme audit institution of the specific country in the budget review. As I indicated above, in this regard the SAO has a very wide scope of authorisation, and was able to rely on the results of the macroeconomic risk analysis while exercising such rights. For example it is difficult to assess the feasibility of the budget revenue appropriations without evaluating those macroeconomic forecasts, based on which the revenue plans were made. It is important, however, to stress that in the course of the risk analysis the SAO did not prepare its own macroeconomic projections, as the elaboration of projections, 'competing' with the government projections, would in fact be contrary to the legal status of the SAO.

In Hungary this dispute was decided by the National Assembly, when at the end of 2008 it created a new institution, the Fiscal Council, and set the preparation of macroeconomic projections, independent from the government, the analysis of the impacts on the budget of bills and the monitoring of compliance with the so-called fiscal rules as its tasks. Thus it was no longer necessary for the SAO to engage in macroeconomic risk analysis. Based on the evaluation of the experiences of this situation, an objective response can be given to the question as to whether or not two organisations should be employed to analyse the budget or whether transparency would better be served if these rights were exercised by only one institution.

The SAO can enhance the transparency of public finances not only by making recommendations to the Government and the relevant ministers in relation to its audits, but also by presenting the systemic errors of the operation of the general government and the potential risks of the points where the public and private sectors intersect in its reports and the studies of its Research Institute clearly, provocatively and sufficiently supported with evidence. A well-functioning SAI creates reliability and value. With its audits, it saves public money, because the increasing order and transparency resulting from the audits will contribute to the more efficient use of tax funds. In addition, our aim is to turn the examples and good practice learnt during our audits into public assets, thus promoting the utilisation of our work through the dissemination of advantageous solutions.

It is an excellent opportunity for the SAO to revise its audit concept that its current strategy covers the period until the end of 2010, i.e. the elaboration of a new strategy is on the agenda. With the involvement of many colleagues of the SAO staff, we are currently formulating the mission, vision and the values which can serve as a compass in the organisation and during the performance of our work. The basic values must definitely include impartiality, objectivity, credibility and professional expertise. Currently, we think that the SAO mission statement should indicate that the objective of the SAO is to promote the transparency and regularity of public finances with its audits performed on a solid professional basis, thus contributing to good governance. ●

⁴ The following article in English, available on the SAO website, describes the methodology in detail (http://www.asz.hu/ASZ/www.nsf/public_finance_quarterly_archive.html): Gusztáv Báger – Gyula Pulay: Analysis of the macroeconomic risks of budgeting = Public Finance Quarterly 2008. 3. volume p. 384-401.

⁵ This is covered by the following article in English, which can also be downloaded from the SAO website. Gusztáv Báger – Gyula Pulay: Major conclusions from the macroeconomic risk analysis of the 2009 budget bill = Public Finance Quarterly 2008. 4. volume, p. 571-591.



Remembering Berlin '89

ENNIO COLASANTI¹

Judge on the Italian Court of Auditors

EUROSAI is 20 years old! Although it is the youngest of the INTOSAI regional organisations, the European Organisation of Supreme Audit Institutions immediately became a driving force for activities and initiatives within the international SAI community. Several factors made this possible.

EUROSAI enjoyed a degree of cohesion between its founding members, which, despite their different constitutional structures, were all European nations and peoples sharing a common cultural and religious experience dating back two millennia.

EUROSAI's membership also included SAIs that embraced both of the structural auditing models, currently adopted, that form part of the European tradition: the "Court of Accounts" model in the 'Latin' or civil law tradition, and the "Westminster" model, in the common law tradition. As we know, these models constitute the dual institutional benchmark used for defining the legal and operational structure of practically all the SAIs.

Also, demonstrating "natural" European leadership, has always been one of our continent's historical traditions. We need only refer to the age of Republican Rome, to see a pioneering example of this in the "*reddere rationem*" principle, that rulers must be made accountable. This principle, after several centuries of neglect, was reaffirmed in the English *Magna Carta* to place constraints on the powers of the sovereign. It has survived the often traumatic vicissitudes of the history of our countries and nations, and now is acknowledged and reiterated in the constitutional principles of every Liberal-Democratic system. Today, one of the tasks falling to the SAIs, enshrined in the "Lima Declaration", which can be seen as today's *Magna Carta* for external public sector audit, is to judge the accountability of the public authorities.

But despite these synergies and natural advantages it was not until 1989 that all the conditions were right to bring the SAIs of the European states together formally into one single regional unitary organisation.

What was holding us back?

We had to react to the deadlock that, for over a decade (since 1976), had relegated to a cul-de-sac, the very idea, let alone the practical possibility, of drawing together all the European Supreme Audit Institutions into a common regional organisation working cohesively within INTOSAI.

Realisation of the differences in the political and administrative organisations of the European states, pragmatically based on the "Cold War" political climate that hung heavy over Europe, prevented progress towards this ideal. This same constraints also limited the possibility for the supreme audit institutions of the countries in the two opposing political "blocs" to freely cooperate.

But there was also another event, initially seen as unfavourable but which would ultimately prove to be positive, namely the creation of the European Court of Auditors (1977). This committed the (then) nine supreme audit institutions of the European Community countries to work out and define methodologies and rules that would be able to foster cooperation between the European Court and the national audit institutions within the Community.

We need only refer to the age of Republican Rome, to see a pioneering example of this in the "reddere rationem" principle, that rulers must be made accountable.

¹ Ennio Colasanti is a judge on the Italian Court of Auditors, Head of the International Affairs Office. In 1989 he was a member of the Italian Court of Auditors' delegation to the 13th INTOSAI Congress in Berlin.

This committed the (then) nine supreme audit institutions of the European Community countries to work out and define methodologies and rules that would be able to foster cooperation between the European Court and the national audit institutions within the Community.

Fortunately, for the European dream the Spanish *Tribunal de Cuentas* and the Italian *Corte dei Conti* – with the single-mindedness of pioneers who were convinced that the goal was attainable – had continued to hold their bilateral meetings throughout the 1970s and 1980s, and they had drafted a set of Statutes for the future regional organisation. That draft was used by the Spanish and Italian delegations to argue for an exchange of ideas with their European colleagues at the Manila INCOSAI (1983) and again in Sydney (1986), thereby keeping the debate on the need to establish EUROSAI alive. But despite this the conditions were not yet favourable for that to happen.

Around this time embryonic forms of cooperation between the Community's supreme audit institutions were being organised through a specific "Contact Committee" giving rise to the possibility and feasibility of broadening that experience and of bringing together into a single organisation all the European supreme audit institutions. However the geo-political context was still one of un-reconciled, not to say, opposing "blocs" and it was not until the late 1980s, that the "Cold War" climate in Europe eased sufficiently for the ambitions of the SAIs of the European region to have a realistic chance of success.

The Berlin INCOSAI (1989). Berlin, the city that epitomised the Cold War, which in June 1989 still bore the scar of a wall that divided the cultural heritage that unites the European nations (from the Atlantic to the Urals, and from the Mediterranean to the North Pole), was chosen to host the 13th Congress of the international community of supreme audit institutions. In this symbolic place the supreme audit institutions of the European countries chose to demonstrate their cohesion and so marked the turning-point - whatever the limitations laid down by the various political, economic and social systems - by openly expressing their intention to establish EUROSAI.

Berlin, emblematically gave its name to the event – the signing of the "Berlin Declaration on the constitution of a European Organisation of Supreme Audit Institutions" – but its promoter and architect, the man who did so much and with such conviction to break the deadlock of more than ten years, was the president of the Bundesrechnungshof and president of INTOSAI, Heinz Gunter Zavelberg.

His efforts encouraged the European delegations to examine a draft set of Statutes, drawn up and distributed by the Spanish and Italian delegations, which dispelled many of the doubts and perplexities that had been voiced on previous occasions, and which were intended to attenuate the undeniable differences that certainly existed in the political, economic, administrative and social systems within which the supreme audit institutions were required to operate, in performing a public sector audit in the interests of the taxpayers.

In the rather cramped hall, in which Mr Zavelberg convened the European delegates, one could feel a degree of tension and a great deal of activism, which were not intended to heighten the differences but to encourage the search for a solution in favour of instituting EUROSAI which, by now, many believed possible.

As an informally convened meeting it was technically impossible for the Statutes to be adopted, and the delegates therefore agreed to draft a principled document manifesting their intention to create EUROSAI.

The coffee break gave time to adjust the text of the document: the German delegation, jointly with the Soviet delegation and the Scandinavian countries, the Spanish delegation with the Czechoslovakian and Hungarian delegations, and the Italian delegation with the other European Community countries.

On returning into the hall after the coffee break, the document drafted by the German staff was carried with a few terminological changes, and following a debate that mainly focused on the "name" to give to the text, the delegates eventually decided on



“Declaration”, and the document therefore became the “Berlin Declaration on the constitution of a European Organisation of Supreme Audit Institutions”.

How far did the venue, Berlin, influence the European delegates? The answer to this question came from Presidente Zavelberg in his opening address to the first EUROSAI Congress in Madrid (1990), recalling the moment the “Declaration” had been adopted:

“Many of us in Berlin had voiced our great sadness at the regrettable separation of Europe, at that division. We obviously remembered the vexatious checks when we crossed the border to go to East Berlin. We remember West Berlin, full of activity and life, in comparison with East Berlin. And it was precisely with that impression and wholly spontaneously, that we decided to create an organisation to group together the supreme audit institutions of all the European countries from the Atlantic to the Urals, as the Berlin Declaration put it, and since then we have been able to perceive that the time had come to move beyond the political, economic and social limitations, beyond the national borders that imposed these different systems on us, to lay the foundations for European cooperation in our field.”

But it was not only the venue which encouraged the decision. We also have to recall the active support of Mr Zavelberg’s initiative by a group of heads of supreme audit institutions – which were the “new entries” at the time of Berlin – who were not at all influenced by the doubts and perplexities of the past: Pascual Sala Sánchez (Spain), John Bourn (United Kingdom) Giuseppe Carbone (Italy), André Chandernagor (France), Ingemar Mundebo (Sweden) and Istvan Hagelmaier (Hungary).

It was this group of heads, who had formed a special “Commission” that was tasked by the European delegates, consistent with the “Declaration”, to “be responsible for debating the questions still remaining to be solved and the requirements to determine the membership of the SAIs of each State, to present the corresponding proposals, to prepare a draft of the Statutes and to organize, if applicable, a Constitutive Conference”.

The idea of an expanded Europe running from the Atlantic to the Urals, based on a common cultural heritage, as proposed in the “Declaration” was thought to be utopian, a dream that could not easily come true in June 1989. But it was only a few months later, in November 1989, that the collapse of the Berlin Wall drastically changed the political and social climate that had existed in Europe for decades, opening up the possibility of creating a border-free Europe, without stand-offs, imbued with the desire for new independence on the part of all the nations and a wide-ranging demand for convergence and communion, regardless of the political, social, economic, cultural and institutional differences.

This new political and social climate certainly encouraged the initiatives being taken, and heightened the commitment of the Commission established born out of the “Berlin Declaration”.

The Spanish and Italian delegations wrote a new version of the Statutes, which was approved by the Commission in May 1990 and sent to all the European SAIs ahead of the Constitutive Conference that the Spanish SAI organised in November 1990 in Madrid.

After just over one year from the Berlin meeting, 31 European SAIs meeting in Madrid approved the Statutes establishing EUROSAI, thereby giving form and substance to the expectations and intentions expressed in the Berlin Declaration.

Re-reading the Berlin Declaration today, 20 years on, it might look like a mere “routine” document setting out well-known and well established principles: collaboration, developing relations, standardising systems, methods and procedures for public audits, exchanging experiences, and so on.

The idea of an expanded Europe running from the Atlantic to the Urals, based on a common cultural heritage, as proposed in the “Declaration” was thought to be utopian, a dream that could not easily come true in June 1989.

The issue of the independence of the supreme audit institutions fuelled the debate within EUROSAI from the very outset.

But it is precisely this which enhances the value of the Declaration. The reason why the 50 supreme audit institutions that make up today's EUROSAI are co-operating together and have stepped up their relations, and created opportunities for working together (helped by having brought their systems, methods and procedures closer together) and have set up audit teams working according to the same auditing principles, benefiting and learning from one another's experiences - and all this is now a tangible achievement and reality - is that the objectives set out in the Berlin Declaration have been attained.

And we have gone further still. Because there was one objective that was missing from the "Declaration".

This is something that had been discussed by the delegations in their work on "refining" the text of the "Declaration", but it was still too early to spell it out at that time. And, diplomatically, everyone avoided mentioning the "independence" of the supreme audit institutions, because it was a time when many European countries and governments had more formal, rather than substantive, independence at home, and were working very hard from inside to embark on autonomous processes for revising their constitutions, to give the traditional legislative, executive and judicial branches a structure that was consistent with the political and social changes that could already be glimpsed emerging.

Let us not forget that there were two political, social and economic systems at the starting line (the liberal and democratic system, *versus* the collectivist and centralised system) that had structured two different models for the organisation of public sector auditing, and even though they performed the same function (scrutinising government and the public administration) they worked in widely differing political and institutional contexts, where the very concept of independence (and particularly the independence of the external audit) had different degrees of importance to them.

But despite this opening situation, the issue of the independence of the supreme audit institutions fuelled the debate within EUROSAI from the very outset.

In his closing address to the 1st Congress, President Carbone drew attention to the complexity of auditing because of the wide range of differing types of tasks the audit was expected to perform in view of the constantly developing activities in government service, and emphasised the need for a critical examination of these activities and their outcomes, which, he said "can only be done externally, independently, by an audit institution possessing the culture and professional expertise which all our supreme audit institutions must have".

The independence of the supreme audit institutions has been one of the political and institutional cornerstones of EUROSAI, not only with regard to the audit institutions in the Eastern and Central European countries that were then engaged on drafting new constitutions.

For even in many of the countries whose constitutions or statute law already made provision for the supreme audit institutions to be formally independent of the legislative and/or executive branches of government, these institutions have often had to defend maintaining the independence of the external audit function, often having to struggle to keep it.

The fact of having focused the EUROSAI debate on establishing the principle of "independence" as a founding and fundamental element of the efficient and effective exercise of external public sector auditing functions, has positive fallout on the institutional position of the European SAIs within the domestic sphere.

Today all the European SAIs enjoy substantive independence, sometimes expressly acknowledged by the laws instituting them, and sometimes accepted *de facto* and without any institutional controversies.



This independence debate has also been “exported” internationally by EUROSAI, “making an even greater contribution to the objectives of INTOSAI by drawing together European experiences”, as the Preamble to the EUROSAI Statutes states.

It is certainly due in particular to the EUROSAI initiative that INCOSAI XIX (2007) approved the “Declaration on the independence of the SAIs” that, 30 years later, autonomously reiterated and reformulated the principles that were already enshrined in the “Lima Declaration”, broadening their value and substance on the basis of the experiences acquired by the international SAI community.

EUROSAI is 20 years young! this year, but it has built up an impressive catalogue of experience and professional expertise, enabling it to engage in the adaptation, renewal, and institutional participation processes that are demanded by the constant development of political, economic, social and institutional situations, both within EUROSAI itself and at the international level.

It is young, and aware that vigour and determination are needed to guarantee the independence of the external audit function, and that it is only by objectively performing their specific institutional remits without the imposition of constraints, that the SAIs can contribute to ensuring the effective and efficient use of public resources, especially at times of profound economic crisis, and the concomitant changes in society.

“Ad maiora!”. ●

SAIs as a guarantee for transparency and sound management of democratic states

SAI OF LATVIA

The mandate of the State Audit Office stops at reporting to the Cabinet of Ministers and the Parliament on the most significant and material audit findings as well as reporting to the law enforcement institutions on the violations of law identified during the course of its audits.

Sound management of democratic states shall be based on the overall objective – action in the interests of the society and in accordance with its needs. When implementing governance functions neither the state administration in general nor its’ individual institutions or officials shall possess or defend their own interests. Therefore the ones exercising governance functions at any level shall have an understanding that their duty does not just lie within the implementation of the process itself, but in rendering outcomes and achieving results oriented towards and required by the society. As the substance of the democracy incorporates development of a nation’s will, and control over each decision or action of the legislator or the executor shall lie within the hands of the society, the basis of a well functioning democracy shall be built on a responsible and rationally thinking citizen. Only having such basis ensures achievement of public interests representation at all levels of power distribution.

In case of Latvia, the economical crisis and attempts to overcome it immediately raised such questions as – Why is the state facing such a situation? How has the policy been planned and implemented until now? What decisions and why have been taken and who has undertaken the responsibility for its outcomes? Where is the state going to? Are actions with currently available resources the most reasonable ones and would lead to improvement? Etc. It is not easy to find answers to the above questions as policy implementation system in the country has not been built and based on the achievement of outputs. Therefore without primarily stipulated targets on what shall be achieved within particular sectors within the specified time scale it is not possible to assess the impact on the achievement of outcomes made by the respective institutions or public managers and whether the actions and decisions of the officials have rendered the best possible outcomes in the interests of the society in general as well as each particular individual.

The mandate of the State Audit Office stops at reporting to the Cabinet of Ministers and the Parliament on the most significant and material audit findings as well as reporting to the law enforcement institutions on the violations of law identified during the course of its audits. Acting in the interests of the society State Audit Office has been and will continuously be pointing out in its audits the illegalities or irresponsible actions of the public managers. We are convinced that the role of a supreme audit institution does not just lie in assuring the respect of legal rules by public managers, but also in promoting the respect of the main principles of democratic state.

The need for such input by a supreme audit institution can be vividly demonstrated with an example of Latvia. Several regulatory enactments are in force in the country stipulating processes of state financial policy development and financial management, public procurement as well as setting requirements for public managers and their action with public resources and property. So the legal side has been regulated as legal basis sets clear requirements for public managers, including, defining responsibility of public managers for effective and economical use of state budgetary resources in accordance with the set objectives, as well as specifying that every action with state and local governments’ financial resources and property shall be legal and expedient.

Wherewith the existence of legal background may raise certain incomprehension in respect to the results of the State Audit Office audits, which could generally be characterised by the following conclusions – resources have not been spent for the dedicated



purpose; decisions have not been made in line with the tasks; concluded contracts are not beneficial or economically justified; within the course of implementation of various projects extra costs have been created to the state as well as government institutions have not exhausted all possibilities to save resources and restrict inexpedient expenditure. Further on you will find just a few examples of material findings deriving from the State Audit Office audits conducted during the 2009 and 2010:

- State orders and funds mayor construction projects without any prior analyses. 900 thousand Lat have been invested in the construction project of Riga Acoustic Concert Hall, resulting in stopping the project at the stage of preliminary design. National Library project did not consider the number of readers, but planned for extensive external infrastructure. Our audit resulted in radical decrease of premises - from 75 thousand square meters to 44 thousand square meters, which could decrease the costs by 40 percent.

- Active employment measures and training organized for the unemployed does not achieve its objective – return of the unemployed into the job market. The status of unemployed is granted to the individuals not complying with the requirements - spending budgetary resources in the amount of 1.4 million Lat.

- State owned companies in healthcare sector have spent 2.8 million Lat on purchasing services from private companies not obtaining the revenue themselves.

- State grants for providers of public transport services were significantly increased, getting no assurance on the justification of cost increase for around 13 million Lat.

- Electronic payment system has been introduced in Riga city public transport not achieving significant advantages, but increasing the costs in the forthcoming 13 years for at least 100 million Lat.

- Tariff setting methodologies of public service providers are incomplete. Administrative costs not connected with service provision are included into the tariffs - proportion of administrative costs for heating supply sector is from 4.1 up to 22.5 percent.

- More than 70 percent of the “Latvia State Radio and TV Centre” revenue (17 million Lat annually) consists of the dividends of “State Mobile Phone” company. These resources are invested in non profitable or untypical functions, for example, to cover the losses of the electronic signature certification service.

- Due to the lack of clear objectives and set outputs, the State does not ensure effective governance of state owned companies. As to the use of dividends, there is no assurance that state’s interests are properly protected in comparison to companies’ investment needs.

- State is not maintaining its real estate properties professionally and effectively. Financial return on the state owned real estate property shall be increased and a state wide real estate management policy shall be developed.

In the opinion of the State Audit Office such irresponsible and negligent maintenance of state resources and property is not acceptable especially under the current circumstances when each Lat is of importance to the state. The reason for such actions is not only the lack of understanding at the political level and at the level of civil service on their accountability for expedient action with state resources, but it is as well a fundamental and logical consequence to the lack of an overall system of resources allocation for achievement of specific policy or operational outcomes, which would consequently lead to the assessment of the outputs resulting from decisions or actions of public managers.

Therefore, apart from its audit work, undertaking the initiative and having the objective of offering specific solutions, State Audit Office carried out additional assess-

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Different documents contain different objectives for a single policy; sectors lack mutual coordination and additionality.

ment on how policy planning and implementation is being conducted, how budgetary policy is being created to ensure sustainable development of national economy as well as how achievement of state development objectives, set targets and established outcomes is being assessed. Acknowledgements deriving from this exercise do not certify of Latvia as a positive example of the presence of sound management to ensure recovering of national economy and restoration of its sustainability.

The main issues State Audit Office had to acknowledge were that the state does not possess a single strategic state development document with clear objectives and binding to all levels of power irrespective of their political background. To the contrary, a system of numerous policy planning documents has been established. Different documents contain different objectives for a single policy; sectors lack mutual coordination and additionality. Taking as an example the earlier mentioned employment facilitation policy – common outcomes to be achieved within employment sector have not been set. Ministry of Economy establishes medium term forecasts of employment market. Ministry of Welfare sets priority targets for training of the unemployed, which are not in line with them. Ministry of Education and Science does not conduct long-term planning of vocational education establishments. As a result state trains potential unemployed, which are not fit for the employment market.

Further on, state budgetary policy, which shall operate as a financial instrument for the implementation of state's overall policy, has not been linked to the state development plans. State budget operates as an expenditure plan funding operations of the institutions. More over – under current circumstances budgetary policy is limited to mathematical cuts being applied to the expenditure section, taking decisions on the issues or functions to be conducted to a lesser extent or eliminated. On the other hand, under revenue section emphases is being put on implementing changes in tax policy through the increase of tax rates.

Taking into account the aforementioned, the overall conclusion of the State Audit Office in assessing operation of state's governors in the interests of the society is as follows – non existence of a uniform state development policy, political and state administration environment and operation does not provide a clear view on what are the state's development priorities, what shall be achieved and on what state resources, being tax payers resources as well, are being spent.

Our position is clear – public governance system should be based on clear objectives and defined outcomes to be achieved in a short-term as well as a long-term perspective. State development priorities shall enable the state to plan its resources strategically and at the same time ensure its expedient utilization.

Therefore, considering the adherence of legislators' functions, State Audit Office has been approaching the state supreme officials – the State President, Chairman of the Parliament and the Prime Minister with specific recommendations in respect to facilitating targeted state budgetary policy and sustainability of national economy:

- In the policy planning sector a uniform medium-term national development planning document shall be stipulated by law. Medium-term government's policy as well as development of state budget shall be based on it. Other planning documents either have to be updated within certain time scale and shall be supporting the overall plan or shall be eliminated.

- Respective changes into the state budgetary policy shall be implemented, anticipating that Law on the State Budget is being developed for a medium-term complying thereof with the development plan and it shall encompass not only the plan of expenditure in terms of money, but shall as well incorporate the outcomes to be achieved and the output indicators for each particular program.

Our position is clear – public governance system should be based on clear objectives and defined outcomes to be achieved in a short-term as well as a long-term perspective.



- Similarly, in respect to the governance of state owned companies criteria for existence of such companies shall be established, setting operational outputs for capital return, and finding a balance between the rights and obligations of the state as a shareholder.

This would facilitate the change of approach from the policy of investments to the result oriented policy, which would allow measurement of outcomes of state administration operations and its' commensurate with the resources invested.

Nevertheless, initiated discussions on the State Audit Office recommendations with political forces in power indicate that the anticipated outcomes cannot be achieved by just making changes in the regulatory enactments. Fundamental changes in the political environment are required, decreasing the impact of corporative ties, change of personalities, openness in decision making and justification, undertaking responsibility for making decisions contradicting the interests of the state and compliance with interests of the overall national economy development.

State Audit Office will continue to pursue its mission in protecting public interests with such values as professionalism, quality and openness. We are convinced, that by providing the general public with true information and independent opinion on the operation of public resources management system as well as its weaknesses we are not only facilitating application of the rule of law in the country and strengthening of accountability in public sector entities, but we are also developing the understanding of the general public and facilitating its more active participation in the decision making processes, in order to create awareness among public managers that the public is well informed and demands their action in accordance with its interests as well as the interests of the state. ●

Years Measured in Fives

GIEDRĖ ŠVEDIENĖ
The Auditor General
NAO of Lithuania

I loved numbers and the logic behind them as long as I can recall it from my memory; but before being appointed as the Auditor General, I never thought if the numbers bear their own magic meaning. When appointed the Auditor General by the Parliament on April 15, 2010 I realised that number “5” will play an extraordinary role in my future professional life. I am the 5-th Auditor General since restoration of Lithuania’s independence in 1990. Auditors General in our country are appointed for 5-year period. The National Audit Office of Lithuania operates on 5-year Strategic development plans, which is too long to set up new directions, but which is also short in order to remember what you promised.

I learned that if some facts appear in inexplicably strange manner, you should expect their frequent recurrence both in the past and in the future. Searching out for another yet undiscovered fives I decided to look at the last period of 5 years.

I. LEARNING: 2001-2005

Indeed, the story will not be continuous and detailed if to look back only the latest 5 years. The years of 2001-2005 were extremely important for the National Audit Office of Lithuania, and I would like to recall some facts to remember.

2001-2005 were the years of Lithuanian’s pre-accession to the European Union and early membership within the community since May 1, 2004. This emitted a lot of energy based on new possibilities and challenges. Beginning of any activity is wonderful because it offers something new, when all the hopes and results are in the future. And no losses and regrets yet.

The main task of this period was enforcement of the new Law on the State Control changing profile of the National Audit Office of Lithuania from revision and control to audit. The period of 2001-2005 was marked by its own 5-year Strategic development plan which was developed with assistance of SIGMA experts and covering the period of August 2001 – December 2006.

Early in 2002 Public Auditing Requirements were approved, setting general public auditing principles, value for money (performance) function started as a new function of audit, the first ideas about systemic approach to information systems audits appeared. Information Technology Strategic Development Plan for 2002-2006 was approved in September 2002 indicating measures how IT shall support general strategic activities of the office. Personnel development strategy, Training and qualification improvement strategy – both were approved by the end of 2002. Since 2003 the National Audit Office of Lithuania performs a new audit function, State Budget revenue audit, also mandatory audits of the EU financial assistance envisaged in the EU Regulations. In 2005 first pilot Information Systems audits were performed.

The main strategic documents, approved by that time were extremely useful to select necessary instruments from a lot of tools, mainly international initiatives of cooperation with the national audit offices of Sweden, Denmark, UK, Norway, Finland, two PHARE projects in 2001-2003 and 2004-2006, participation in committees and working groups of INTOSAI and EUROSAI.

The main task of this period was enforcement of the new Law on the State Control changing profile of the National Audit Office of Lithuania from revision and control to audit.



I would like to thank once again our colleagues from the supreme audit institutions who did a lot in order to support us during those years:

The National Audit Office of United Kingdom. Cooperation since 1994, but the massive contribution to any activity area of the National Audit Office of Lithuania during the first and the second PHARE projects from 2002 to 2005.

The National Audit Office of Denmark. One among our longtime partners since 1994, participating in both PHARE projects. Contributed a lot to our IT and IT audit, we started to look how TeamMate is used in the National Audit Office of Denmark already early in 2003.

The State Audit Office of Finland. Our good partner and adviser since 2003 in EU audit matters and IT audit.

Office of the Auditor General of Norway. In 1997-1998 series of seminars oriented to state debt auditing, auditing of financial accounts of central government offices and state-owned enterprises which was new to us. Also, auditing of electronic data processing and understanding IDEA and how it works in financial audits.

The National Audit Office of Sweden. First cooperation projects in 1995-1998, and significant for us cooperation agreement signed late in 2000 with a lot of activities during 2001-2002, auditing of EU funds, information technology strategic issues among them. The National Audit Office of Sweden became a partner in the 1-st PHARE project.

Of course, there are more institutions we worked together, with but those five are remembered by each Lithuanian auditor.

By the end of 2005 the National Audit Office of Lithuania already had solid methodology and good practice of financial and value-for-money audits, Personnel development strategy, Training and qualification improvement strategy, principles and structures to support IT governance, excellent IT infrastructure including TeamMate – modern software for audit documentation.

Another important fact to be mentioned: in December of 2004 an important keystone was laid to the fundament of public auditing – the Parliament of the Republic of Lithuania constituted the Audit Committee which became a part of the public audit system.

Learning period of 2001-2005 at the National Audit Office of Lithuania brought a lot of new ideas and practices which had to be absorbed and perceived by the auditors, IT and personnel managers, and neatly adjusted by the office management in order to achieve their balance and synergy. Fundamental strategic principles as well as basic structures were established to sustain and support development of the office. Potential obtained by the National Audit Office of Lithuania over the years of 2001-2005 had to be disclosed over the next years.

II. DISCLOSING POTENTIAL: 2006-2010

Learning is exciting and easy-going thing, more difficult is to make it work. This is not a complaint, it's simply subsequent period which follows learning. And if to make something work well, sometimes it's not enough your own knowledge and resolution. Acting means changing what is around you, therefore you need to make the others to understand and to support you.

To promote accountability in the public sector as well as management oriented towards results and public needs, and progress in financial management and control systems – such strategic goal was adopted by the Public Audit Strategy for 2006-2010.

The Public Audit Strategy for 2006-2010 was not limited to the internal life of the office, but targeted more to the environment where the national audit office is operating.

Of course, there are more institutions we worked together, with but those five are remembered by each Lithuanian auditor.

Another important fact to be mentioned: in December of 2004 an important keystone was laid to the fundament of public auditing – the Parliament of the Republic of Lithuania constituted the Audit Committee which became a part of the public audit system.



Of course, internal mechanisms had to be developed or improved in order to make the office attractive for the Parliament, auditees and public, but they should be supporting the strategic goal.

Cooperation with auditees

The National Audit Office of Lithuania is financed by public money – the same as all governmental institutions audited. Therefore, when we suggest auditees how to make their performance more efficient, we always remember that our product – audit reports and recommendations – to be of high quality and useful for auditees: demanding quality from the others we have to be demanding to ourselves. It is very important to choose right audit objectives and to be in time with today's actualities. We are the auditors and we have to understand the real problems, to be certain that the measures we propose are both efficient and realistic. We have to talk to people, but it's even more important – we have to *listen* to them.

Each year in autumn, when preparation for the next year audit programme starts, we send hundreds of letters to committees of the Parliament, ministries, governmental institutions, public organisations and associations to come with their proposals on the most relevant issues for the next audit programme. At the office we organise seminars to discuss selected topics where we plan to perform next year audits. For example, this year topic was public procurement. This gives more information what the government and citizens expect from us, and is a good tool for focusing next year audit programme.

Additional important thing – this creates trust and confidence in what we do, and makes the National Audit Office of Lithuania closer to its clients, looking and thinking the same way, coming to find possibilities for improvement. It's true; today we are receiving acknowledgements from our clients and it makes us feel that we do a good job.

Cooperation with the Parliament Audit Committee

Strengthening cooperation with the Parliament Audit Committee and the other parliamentary committees became the most important mechanism to establish integrity of public audit function. In the other words, competence and professionalism of national audit office shall be supported with power of accountability and political responsibility of parliamentary committees and incorporated into overall public audit process.

Now we have the working system that each value-for-money audit report is discussed at the meetings of Audit Committee together with representatives both from national audit office and audited institutions. If the audit objective is interesting and important for the other committees (for example, Health, Information Society Development, Environment Protection, etc.), audit report is discussed at joint committee meetings. Parliamentarians are introduced to the audit reports and recommendations; therefore they get more ideas how to improve efficiency of public sector. Recommendations of the national audit office, if supported by the Parliament, get more weight and are better controlled. In case legislation needs to be amended to make implementation of recommendations easier, it's always better when the parliamentarians know the true story behind it.

Cooperation with the media and citizens

This is the third pillar which supports integration of the National Audit Office of Lithuania to the public audit process – we have to be open institution ready to explain everyone what and how we are doing, what are our ambitions, results, mistakes, winnings and losses.

What we improved here? Now we prepare press-releases of each value-for-money audit and use various communication channels to reach it to any citizen. All audit reports are published on the web page of the National Audit Office of Lithuania; there is a pos-

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we are receiving
acknowledgements
from our clients
and it makes us
feel that we do
a good job.**



sibility to submit comments. Audit managers are participating in radio and television broadcasts if there are significant audit results. Citizens are encouraged to submit their questions and proposals, to suggest their ideas on the hot issues of today; this information is managed and becomes a good material for future audits.

We are happy when our efforts are understood and appreciated. Ratings, awarded by mass media does not always reflect the reality, still we are proud when the National Audit Office of Lithuania was mentioned among the best governmental institutions (5th in 2007, 2nd in 2008, 1st in 2009), the Auditor General – the best civil servant of 2008.

By means of targeted communication, three traditional players – the Parliament, the Government and citizens – are put together and form a self-developing system. The National Audit Office of Lithuania comes to become the fourth player in the game bringing its own specifics. And we call it the public audit, where each player has its own role but the best results are achieved if all of us have the same vision, the same expectations, the same concerns.

Institutional processes

Now it was easier to re-arrange our institutional processes, always having in mind that you are working not for quality of an audit report, but for better results in the public sector.

Firstly, we are establishing partnership with auditees. It's not a formal approach, but understanding and reciprocity in perception that we are working for their better performance, looking the same direction, and that is not so important to count their mistakes in case you cannot suggest how to correct them. Trust and respect comes afterwards, when we learn that we are a part of same game but with different roles. And very gentle formal steps, like common discussion of audit reports, mutual agreement on recommendations discussing how to implement them. Of course, we are interested how the national audit office of Lithuania is seen from their side, what are our possibilities to become more reasonable and efficient.

Secondly, we formed professional communication team assigning the task of visibility of the National Audit Office of Lithuania, explaining to everyone our mission and methods, active player in the game. This follows strategic provision that the National Audit Office of Lithuania shall be open in order to be trusted.

Thirdly, we established additional quality requirements for audit report, and now each draft value-for-money audit report is discussed at the Commission for external review of value-form-money audits. Three opponents are presenting their opinion on the report with the suggestions how it should be improved. It's additional time and additional work for the audit group but it improves quality of the report, and – it's even more important – sets new quality standards for ourselves. And we are winning trust and understanding of our auditees, because more often people look what are you doing but not what you are saying.

Fourthly, we introduced obligation of annual planning and reporting for all audit and administrative units, now they have to prepare working plan for the next year and reports for the last year and to defend it at the meeting of the Council of the National Audit Office of Lithuania. To feel units responsible for their operations and not to forget their plans.

Fifthly, we introduced detailed (and complicated for the assessors) personnel assessment scheme using over a hundred of detailed criteria which helps to identify precisely competences of an auditor and suggest necessary training to improve in case some competences are weaker. It works, and is becoming easier. Managers are no longer afraid to say a hard word to their subordinates because it is being understood not as

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What shall I do during my 5 years? To remember that the audit process is not an end in itself, that it is an integral part of system regulation aimed at improvement of things here in the state.

a sign of superiority, but as possibility for being better. Projection of auditors-auditees relationships in a miniature.

III. CONSOLIDATION: 2011-2015

What shall I do during my 5 years? To remember that the audit process is not an end in itself, that it is an integral part of system regulation aimed at improvement of things here in the state. And to do minor things at home in order to become better, to be more visible, trusted and accepted.

This is the way it did from isolated control office to open audit institution, an integral part of Lithuania's governance system, and a member of INTOSAI community.

What the National Audit Office of Lithuania will be doing during its next 5 years? Safeguarding positive processes of the last 10 years in order to make them indefeasible? Or being even more close to all what is happening here in Lithuania, staying alongside the changes and sharing its competence? Becoming good-willing adviser to the government when the government institutions are proud if they are chosen to be our auditees, when our audit recommendations are welcomed and form a real basis for increasing institution's efficiency and professionalism?

We – the National Audit Office of Lithuania – have to become a good example to the others, being more efficient, more responsible and professional, and more honest of course. Institutional values shall be secured by the auditors and shared with the auditees in order to make them their own institutional values.

Today we are on the way of optimising our performance. Using LEAN we are discovering our wastes and are polishing our business processes. Finding resources which allows are to do our work more efficiently. We are watched by the others and we need to show our results in order to make them believe and to follow us.

I would like the Office remembers the years 2011-2015 as the years of consolidation – securing our knowledge and professionalism to make it sustainable and offering new possibilities for further learning and application of knowledge. Being institution of humans and being closer to a human – pentagram is a human sign, and it is a continuous loop.

Of course, I do not believe in magic power of numbers. But I would wish the National Audit Office of Lithuania has its own *hamsa* offering happiness, peace, prosperity, and protection. ●



The relevance and use of Audit Manuals by SAIs. The experience of NAO Malta

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Performance Audit Section
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The importance of preparing Audit Manuals

Audit manuals are the primary source of SAI policy and guidance relating to the effective management and performance of audits. They set out the standards and policies that govern the conduct of all audit work, specify the procedures to be carried out at the planning, implementation and reporting phases of audits, and provide guidance to auditors in complying with these standards and policies. They also set the standard of quality expected from staff engaged by the SAI, highlight areas where auditors must exercise professional judgement, and require adherence to auditing standards. Manuals are therefore designed to reflect best practice in the auditing profession, whilst taking into account the SAI existing related policies and procedures. They also encourage the promotion of a consistent, economical, efficient and effective audit practice and ensure a clear and fair allocation of duties and responsibilities.

The experience of NAO Malta

The decision to prepare an Audit Manual was taken by NAO to facilitate and harmonize NAO policies, practices and procedures concerning the conduct of all audit work and to fulfill EU pre-accession commitments. Consequently, the first comprehensive Audit Manual was prepared and published in 2001. This Manual contained the general principles and policies guiding the performance of all audit work at the time with particular emphasis on the undertaking of financial and compliance audits. This Manual was revised in 2004.

In order to further its policy of promoting wide dissemination of knowledge and information sharing among NAO staff, and to maintain the quality of audits, the Office subsequently felt the need to prepare two *ad hoc* Audit Manuals that would provide guidance on the conduct of financial and compliance audits and performance audits (the two main audit categories undertaken by NAO). These Audit Manuals replaced the previous Comprehensive Audit Manual. The Financial and Compliance Audit Manual and Performance Audit Manual were thus prepared and were published this year. The guidelines provided in the new Manuals took into account the provisions of the International Federation of Accountants (IFAC) International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs), as well as good practices of other countries as adapted to the experience of NAO audit practices.

The Financial and Compliance Audit Manual

The current Financial and Compliance Audit Manual incorporates all NAO policies and practices relating to the carrying out of financial and compliance audits and requires compliance with ISAs, and ISSAIs in the conduct of such audits.



The Financial and Compliance Audit Manual and Performance Audit Manual were thus prepared and were published this year.

The Manual also describes in depth the different types of financial and compliance audits undertaken by the Office and the related procedures for their implementation.

This Manual is supplemented with Appendices that include NAO-related legislation and the Section's standard documentation and forms.

The Performance Audit Manual also discusses the application of a new audit approach to performance auditing by NAO namely the Issue Analysis Drawing Conclusions methodology.

The Manual also describes in depth the different types of financial and compliance audits undertaken by the Office and the related procedures for their implementation, such as the process of understanding the entity and its environment, planning and conducting the audit (including gathering audit evidence), the drawing up of the Management Letter, and the preparation and publication of Financial and Compliance Audit Reports. It also discusses in detail NAO specific issues such as the functions of the Auditor General and the role of the NAO, the organisation structure of the Financial and Compliance Audit Section, training and development of staff and media relations. Moreover, the current NAO financial and compliance audit programmes, as well as standard working papers and forms being utilised by the Section, are included in Appendices.

The Performance Audit Manual

The NAO Performance Audit Manual provides guidance on the approach to be applied by the Office in the undertaking of Performance Audits and deals with the various aspects to Performance Auditing, such as the legal basis, concept and types of performance audit, the organization structure of the NAO Performance Audit Section, the principles and standards underlying NAO Performance Audit work, the NAO Performance Audit process (planning, execution of work and reporting) and the audit methodology, tools and techniques to be applied during each stage of the audit process. This Manual is supplemented with Appendices that include NAO-related legislation and the Section's standard documentation and forms.



Reference is made in the Manual to the INTOSAI Performance Auditing Guidelines and Standards that constitute the principal source of the policies and guidance included in this Manual, other international auditing standards such as ISSAIs and ISAs, NAO's electronic database on performance auditing, as well as good practices in the area of performance auditing implemented by other SAIs

The Performance Audit Manual also discusses the application of a new audit approach to performance auditing by NAO namely the Issue Analysis Drawing Conclusions methodology. This approach involves two specific processes: the Issue Analysis process and the Drawing Conclusions process.

Conclusion

The two Manuals thus provide an outline of the conceptual framework of the NAO Audit Methodology, and describe how audits should be selected, planned, conducted and reported upon. The Manuals serve as a focal point for the continuous improvement of the methodology in the different stages of the audit process. The actual audit operations are however to be decided on a case specific basis, depending on various factors affecting the individual audit, such as the nature of the audit, the skills available in the Audit Teams and the nature of the audit scope itself. These Manuals are intended to encourage more streamlined and efficient audit operations based on a structured and standardized audit approach whilst providing a degree of flexibility in the exercise of professional judgment and in selecting the appropriate audit tools and techniques. This is essential given the variety of potential audit topics, objectives and data collection and analysis methods available in public sector audit.

More information on the Manuals can be obtained by sending an email to nao.malta@gov.mt (to the attention of Brian Vella, Assistant Auditor General). ●



The Supreme Audit Committee of Monaco

SAI OF THE PRINCIPALITY OF MONACO

Article 42 of the Constitution of Monaco, of 17 December 1962, sets down that “the control of the financial management of the State shall be exercised by a Supreme Audit Committee”. Royal Order N° 3980, of 29 February 1968, relating to the Committee was modified in 2002, being replaced by Royal Order N° 1707, of 2 July 2008, which establishes the present competencies, functioning conditions and composition of the Supreme Audit Institution (SAI) of the Principality.

I. COMPETENCIES OF THE COMMITTEE

Article 1 of the Royal Order of 2 July 2008 states that:

“The Supreme Audit Committee (...) shall audit the accounts and the budgetary and financial management of the State, the Municipality and public institutions.

In the exercise of control over the financial management of the State the Committee shall also, at the request of the Prince or at its own initiative, be able to audit:

- recipient bodies of financial contributions from the State which manage in whole or in part any legally obligatory system of retirement, social insurance or family benefits;
- whatsoever other bodies receiving subsidies from the State or from any other public law corporation;
- private law companies, unquoted, in which the State holds more than half the capital.

The Prince shall be able assign study or information tasks to the Committee that are within its sphere of competence.”

In compliance with the provisions of this text, the Committee draws up two kinds of report and other communications and, since 2008, a public report.

1st Reports deriving from obligatory controls

These are the following:

- the Annual Report on Settlement of the State Budget,
- reports in the accounts and management of the Municipality and of the public institutions.

The first refers, for each financial year, and at the same time, to the execution of the general budget, to the management of the treasury and to the Constitutional Reserve Fund.

Regarding the second set of reports, these can refer to various financial years, depending on the scheduling of the Committee works.

2nd Other reports

These can comprise:

- special reports on specific topics drawn up by the Committee as part of its control over the State and public institutions, mainly on major public works (Louis II Stadium, Grimaldi Forum);

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- reports drawn up by the Committee, either on its own initiative or at the instance of the Prince, on subsidised institutions (Automobile Club of Monaco, Philharmonic Orchestra of Monte Carlo, etc.) or on state companies (Company for the Port Management of Monaco, etc.).

3rd Communications and interventions

These can basically consist of notes drawn up in response to requests formulated by the Government of the Principality for an opinion on a wide range of topics, though in the main referring to budgetary or accounting problems. But they can also concern investigations into specific cases in particular, when certain characteristic dysfunctions occur (misappropriations, for example).

Independently of the opinions issued at the request of the Government, the Committee also sends it informative notes on a range of topics within its sphere of competence. The Monaco SAI has found itself performing an informative and advisory role for the Services, primarily in order to facilitate the application of the recommendations it includes in its reports and opinions.

4th The public report

Since 2008, the Committee has been publishing each year the Monaco Journal and an Activities Report, accompanied if appropriate by replies from the Minister of State.

This public report basically sets out the main findings and observations resulting from the audits conducted by this audit body on the accounts and management of the State and of the public institutions during the year closed.

The obligation imposed on the Committee by the Royal Order of 2 July 2008 to publish an annual report on its activities reinforces its position as an independent SAI, particularly with reference to the criteria established by the international organisations grouping these institutions.

II. FUNCTIONING CONDITIONS OF THE COMMITTEE

As far as the scheduling, organisation and conducting of its controls are concerned, the Supreme Audit Committee has enjoyed complete freedom since its beginnings, notwithstanding the regular conducting of audits and the presentation of reports on the State, Municipality and public institutions, coming within the framework of its obligatory competencies.

In this spirit, the Royal Order of 2 July 2008 has the fundamental objective, on the one hand, of facilitating access by the Committee to all necessary documents, explanations and information for its audits, and, on the other, of organising an efficient contradictory procedure with the bodies being audited and the Government of the Principality.

1st The investigating powers of the Supreme Audit Committee

The Committee's investigating powers are currently regulated by a range of articles – especially article 9 – of the Royal Order of 2 July 2008. In practice, these powers have since their origins been exercised under conditions that permit the Committee to gain access with complete freedom to all accounts, documents, receipts and explanations that are necessary for conducting its audits and investigations.

Independently of the opinions issued at the request of the Government, the Committee also sends it informative notes on a range of topics within its sphere of competence.



The Committee receives the accounts of the State, the Municipality and public institutions each year. Of course, the accounts of the bodies it decides to audit are also presented to it. With regard to the State, the Committee has a series of accounting documents: annual account of budgetary operations at the financial year close; monthly statements of account from the General Treasury of Finances, and especially the closing account at 31 December and accounts of the Constitutional Reserve Fund.

In order to carry out its controls, Committee Members “shall be able to obtain all administrative documentation and all accounting records necessary for fulfilling its mission, being able to ask whatsoever public officials and employees of the services and bodies being controlled to provide them, whether in writing or by means of appearing in person, with all appropriate explanations and clarifications” (article 9 of Royal Order of 2 July 2008).

For the State and public institutions, the auditing of accounts is in practice conducted mostly in the General Treasury of Finances, whose role in the execution of budgetary and financial operations and in maintenance of the accounts is fundamental.

The Committee also makes broad use of reports drawn up by the Comptroller General of Expenditure, which are presented to it on an obligatory basis; while regular contacts and exchanges of information which it maintains with this top official and his number two, the Inspector, are likewise of great utility for it. The role of these “internal auditors”, who, generally on a prior basis, control expenditure, is of the greatest importance since it seeks to foresee irregularities and questionable practices, and frequently succeeds in limiting them.

2nd The holding of the contradictory procedure

Although the 1968 text was very incomplete on this subject, the Committee has always been concerned to provide the maximum guarantees regarding the contradictory nature of its investigations, findings and observations. Indeed, it is very important that the contradiction be effective, both for guaranteeing the quality of the audit and for allowing services or bodies the possibility of putting forward their arguments and explanations.

With the aim of guaranteeing the contradictory nature of the works of the Committee, the Royal Order of 2 July 2008 contains a range of provisions referring both to the communication of drafts of reports and to the presentation of the reports themselves.

Article 10 of this Royal Order states that reports from the Committee shall only be submitted for deliberation and approval once the draft of the report has been sent to the Minister of State and, if appropriate, with the same draft – or the remarks made on them – being sent “to the presidents or chairs of assemblies, bodies, corporations and autonomous organs”. All of them “shall, within a period of one month, be able to present the explanations and justifications that they regard as appropriate”.

In terms of the reports approved by the Committee, they shall be forwarded only to the Prince and, if appropriate, to the National Council – or they shall be published in the Activities Report – accompanied by the reply from the Minister of State, and, as the case might be, the President of the body to which such reports refer.

Although the Committee applies these provisions rigorously, it makes even greater efforts to put into practice the broadest possible contradictory procedure with the services or bodies being audited. Indeed, it considers that only an open and trusting dialogue with these bodies at all stages of the control can guarantee the quality of it.

III. COMPOSITION OF THE COMMITTEE

In accordance with article 2 of the Royal Order of 2 July 2008, the Supreme Audit Committee is composed of six Members, appointed for a period of five years by Royal

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In terms of the reports approved by the Committee, they shall be forwarded only to the Prince and, if appropriate, to the National Council – or they shall be published in the Activities Report – accompanied by the reply from the Minister of State, and, as the case might be, the President of the body to which such reports refer.

The Members are appointed “for their competence in the field of public finances”.

Moreover, the willingness to constitute a truly independent SAI is without any doubt the source of the decision of the Sovereign Prince and of his Government to designate magistrates of the French Court of Audit as Committee Members, since its constitution in 1969 and henceforth.

Order, with the Prince designating from among them the President and the Vice-President.

The Members are appointed “for their competence in the field of public finances”.

In order to guarantee the independence of the Committee Members, article 3 of the Royal Order of 2 July 2008 sets down the incompatibility between the condition of Member and “that of public official or agent in active service of the State, Municipality or a public body”. Other guarantees of independence are: the collegiate system of the Committee, which can only deliberate matters with the attendance at the meeting of at least three Members; the fact that the functioning expenses of the Committee are assigned in the State Budget to a chapter in the section on “Constitutional Assembly and Bodies”, and the actual terms of the swearing-in made by Members before the Prince “to undertake the task assigned to him zealously, impartially and with full independence”.

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This option also undoubtedly implied recognition on the part of the Prince and the Government of the Principality, furthermore, of “competence in the matter of public finances” and of independence, of qualities – such as discretion and objectivity – which, in France, are traditionally expected of “accounts judges”.

In its current formation (Royal Order N° 2512 of 7 December 2009), the Committee is composed of two honorary Presidents of Chamber of the French Court of Audit (Mr. James CHARRIER and Mr. Jean-Pierre GASTINEL), three honorary Councillors (Mr. Gilbert PIERRE, Mr. Hubert POYET and Mr. Jean RECOULES) and a Councillor in active service (Mr. Jean-François BERNICOT).

Moreover, since the reform of 2008, the Committee has had a Secretary-General, Ms. Sabine-Anne MINAZZOLI, previously magistrate of the judicial services. ●



The EUROSAI Training Committee

The Reform of the EUROSAI Budget and the Performance of a EUROSAI Training Strategy

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Head of the Department of International and European Affairs of the French Court of Audit, Representative in the EUROSAI Training Committee Co-chair

and

MARÍA JOSÉ DE LA FUENTE

Director of International Relations of the Spanish Court of Audit, Representative in the EUROSAI Training Committee Co-chair



The creation of EUROSAI in 1990, with the enlargement of Europe, offered the Supreme Audit Institutions (SAIs), a space of exchange and communication laden with new opportunities.

Immediately after the establishment in 1999 of the Working Group on Environmental Auditing, under the chair of the SAI of Poland, a Training Committee was founded by the EUROSAI Governing Board, at its 22nd Meeting held in Madrid on 16 February 2000.

The EUROSAI Training Committee (ETC) was initially made of eight members: the SAIs of Czech Republic, Denmark, France, Germany, Poland, Portugal, Spain and United Kingdom; under the co-chair of the SAIs of France – Presidency of EUROSAI at that date and Spain – EUROSAI Secretariat-. The SAIs of Lithuania and Hungary and the Russian Federation were incorporated to the ETC as members, in 2006 and 2007, respectively.

The ETC meetings have been usually attended also, as guest, by representatives of the European Court of Auditors, the EUROSAI working groups, the INTOSAI Capacity Building Committee –the SAI of Morocco-, and IDI, entities with which the ETC cooperates regularly for improving coordination of actions and getting the widest advantage of the synergies coming from the diverse training actions in the field of public funds auditing.

The majority wish for the development of training activities, expressed at the meeting of the EUROSAI Governing Board in Ljubljana in 2001, then encountered the fact that the Organization’s revenue was too low to support initiatives that were in any way ambitious. The French Presidency was commissioned with finding solutions.

The EUROSAI budget and the search for new resources became, therefore, a prerequisite for the development of a training strategy. The Moscow Congress of 2002, enabled its development through the agreement to amend the priorities of the budget, focusing them on training and doubling the amount of the EUROSAI budget.

At the same time, the ETC, led by the co-chair of Spain and France, opened the site for the EUROSAI training strategy. The guidelines were established by the resolution of the Moscow Congress, which sought *“to assess training needs, the partners involved, the potential resources required and to explore different options for their implementation.”* The process began with a two-day brainstorming session in Lisbon. Two days of intense discussion, involving the participation of an external facilitator, which helped to define the general framework of the mission and the goals of the Training Committee.

A detailed questionnaire was then sent to all the members of EUROSAI in 2003. The high response rate (85%, 39 SAIs of 46) gave a wide and specific view of the Eu-

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European SAIs' expectations. Training needs differed depending on which of the four zones identified by the questionnaire corresponded to the SAI: Western Europe (a zone differentiated by membership or non-membership of the European Union), Central and Eastern Europe, Balkans, Commonwealth of Independent States. Beyond the specific needs of each of these areas, certain issues emerged as training priorities agreed by all concerned: performance audit, public procurement audit, fight against corruption and the use of information technology. They re-emerged when the SAI of Germany renewed the questionnaire on training needs, in 2005, during its Presidency of EUROS AI. Two themes continued to stand out as priority issues for all the SAIs: performance audit and the use of information technology to audit public funds.

The 2003 questionnaire also helped to define the objectives and strategies of the Training Committee. They were summarised under nine objectives, six of which were identified as priorities in the short term, and an operational plan was adopted for their implementation.

The main lines of this "road map" included: the provision of training and exchange of experiences through seminars and "training events"; the implementation of a EUROS AI-IDI trainer training programme; the training support for the EUROS AI Working Groups (IT, environment) and for other SAIs' Working Groups; the development of websites for sharing information; cooperation with regional audit institutions in Europe under the EURORAI Organization, and with universities.

The first EUROS AI Training Strategy, for the period 2005-2008, was approved at the VII Congress (Bonn, Germany, June 2005). Considering the results of the questionnaire and the roadmap designed, the Strategy was based on three main objectives: promoting professional development, experiences exchanging and information sharing.

The Strategy was performed by the ETC through the provision of its own training, and in cooperation with other entities and organisations with which EUROS AI shares initiatives and interests (EUROS AI Working Groups, INTOSAI Regional Organisations, IDI...). Making use of all the possible synergies derived from any training activity that might affect to its performance environment, as well as the support for strengthening internal training strategies of each SAI and mutual enrichment through the exchange of experiences, were important aspects in the performance of the Training Strategy; all with full respect for the independence of each SAI for its design and implementation, being cooperation a key element to enhance the quality and relevance of the system.

The EUROS AI Training Strategy 2005-2008 served as an experimental phase. The ETC made important efforts during this period for strengthening training within EUROS AI, and got sound basements for further future achievements. But there were still some things left to be done and pending challenges. Certainly, some of the objectives could have been reached faster or with better results. But, on the other hand, it helped to set up the main basis for performing a EUROS AI training strategy in the future and for learning important lessons for guiding it. Some limitations for developing training in EUROS AI were detected, but these initial difficulties became challenges for the future.

**The EUROS
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2005-2008
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This framework made it possible to structure the ETC's activities until the next stage, which comprised the definition in Krakow in 2008, at the VII Congress, of EUROS AI's Training Strategy for the period 2008-2011. The purpose of this Strategy is to support and strengthen SAIs in the undertaking of their duties and to provide added value for EUROS AI, as a whole, and for each of its members by means of providing training and exchange of knowledge. Its objective is to increase efficacy by focussing on the key priorities in training and on the demands for capacities in the sub-groups of the European region in a responsive, relevant, cohesive and focussed way. The strategic priorities of this new three year period are: training, sharing of information and knowledge, and institutional development. The implementation of the Training Strategy are funda-



mentally directed towards identifying the training needs of EUROSAI members and of each of their groups, to facilitating and promoting training provision, to exploring new learning methods, and obtaining a greater visibility. The action is being also addressed towards encouraging greater cooperation among EUROSAI members and with other partners, organisations and bodies, as well as promoting an evaluation of the training given so that it can reach the highest quality standards.

The increasing tasks of the ETC and the permanency of its activity, as auxiliary body of the Governing Board in training matters, showed the need for reorganising its structures and designing more agile ways of operating for making it more dynamic and efficient. The Governing Board mandated the ETC in 2008 to work on these tasks too. In this context, actions were developed for getting a more specialised and effective operation of the ETC, re-organising structures and distributing tasks and responsibilities at internal level. Terms of Reference -including provisions concerning its composition, structure and procedures- have been drafted and adopted by the ETC. The ETC co-chair has also distributed its tasks between its two members -the SAIs of France and Spain- for performing the EUROSAI Training Strategy 2008-2011. It searches to facilitating the internal co-ordination of the ETC and ensuring a more successful monitoring of the different tasks entrusted to the subgroups set up within it, trying to make more efficient and specialised the operation of the co-chair. These arrangements try to ensure that the fulfilment of the co-chair's functions remains a joint responsibility of both members, operating the distribution of tasks only at internal level.

During these years, the ETC has developed an important role in supporting the Governing Board when taking decisions on the financial requests from the EUROSAI budget for training and capacity building, received. The ETC has also produced a practical guide for organising training events under the umbrella of EUROSAI, addressed to help those SAIs hosting them. Different tools for evaluating training provided have been designed by the ETC for facilitating to carry out an assessment under common parameters, making a homogeneous evaluation of training as a whole, identifying weaknesses and strengths, feeding back the system, correcting deficiencies and deviations regarding the programme objectives, and concluding good practices for improving its effectiveness in the future.

EUROSAI challenges in the training field

It's already ten years that EUROSAI has assumed a special compromise in promoting training as a way to strengthening sound and independent SAIs, highly qualified for performing their mandates. This compromise has been materialised by allocating more financial resources from EUROSAI budget for making it possible, and by developing periodic training strategies that allow dealing with this issue in a consistent and coherent way. The result of these efforts have been a more abundant and specialised training offer. It tries, on one side, to complete the internal training offer of the EUROSAI members and, on the other side, to serve as an useful input for contributing to reinforce their institutional development.

The ETC has contributed to this effort since 2000. From a reduced structure for operating in an efficient way, but with an open spirit for attending the expectations of all EUROSAI members, considering their specific requirements, the ETC has assumed the task of putting into practice the operational plans for developing the successive training strategies in the benefit of the EUROSAI members.

The ETC has helped to give a major boost to EUROSAI in a strategic area for the development of the SAIs and the strengthening of financial governance in Europe. It has been a place for reflection and dialogue, with the possibility of discussing every issue on training: the preferred issues and methods, the networks that need to be set up, finance, quality assurance, languages and training management...

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The efforts made and the goals achieved by the ETC in the boosting of training in EUROSAI are obvious.

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Cooperation becomes a cornerstone for implementing the EUROSAI training strategy.

But, in addition, the whole should also add value to the parties.

As a place for action and decision, the ETC has acted as a “Task Force” commissioned with assisting the EUROSAI Governing Board with the preparation of its decisions. It has also played a sweeping role to provide a bridge between EUROSAI and other cooperation forums in Europe, including the European Union Contact Committee, for joint actions involving the SAIs of candidate countries. The ETC has thus contributed to the expansion and influence of EUROSAI by providing clear, agreed focuses, an action plan and the means for its fulfilment. In short, the performance of the training strategy has served as a test bench for developing EUROSAI’s strategic plan.

The efforts made and the goals achieved by the ETC in the boosting of training in EUROSAI are obvious. However, there is still work to be done. It should be emphasized that training is a process that requires a constant building up, revision and updating task. The setting up and development of a strategy requires a material, technical and financial commitment to make it possible; strengthening and qualifying cooperation in the framework of EUROSAI and other groups, organisations and entities with common interests; reinforcing training actions and disseminating the effects obtained, and making a better application of IT for training will, no doubt, help to make new steps in this ascending way. Thus, it will be possible to build up a network of training actions endowed with the maximum effectiveness and scope.

An important step will be made at the VIII Congress, when approving a global strategic plan for EUROSAI. Training and facilitating inputs for the institutional development of SAIs will remain important tasks in this plan. They will be essential for developing EUROSAI itself and for making bigger its contribution to the wider family of INTOSAI.

Cooperation becomes a cornerstone for implementing the EUROSAI training strategy. The practice of each SAI constitutes an important source of information and experience to the other ones, allowing sharing results and knowledge of the advantages and disadvantages of each system, and drawing implications for its potential application to other SAIs with the necessary adaptations. The contribution of each SAI thus adds value to the whole.

But, in addition, the whole should also add value to the parties. Indeed, progress in implementing a proper EUROSAI training policy, should help to enhance the quality and intensity of the training policy of each of the EUROSAI SAIs, with full respect for their independence in terms of programming, structuring and development.

It becomes necessary to move forward to put in practice the commitment made by the EUROSAI Congress, which establishes as a priority the promotion of training and the exchange of experiences through it, and the promotion of new action programmes, and future goals and perspectives to enable EUROSAI to further progress in achieving a common project. ●



Achievements and challenges of the EUROSAI Working Group on Environmental Auditing (WGEA)

JØRGEN KOSMO
Auditor General of Norway
Chair of the EUROSAI WGEA

Since its creation the EUROSAI WGEA has experienced a growing numbers of activities for the exchange of experience and knowledge, cooperative audits and developing of methodology. This cooperation has to continue and increase for facing present and future environmental changes.

Vision and goals

EUROSAI WGEA has adopted the vision of INTOSAI WGEA. The EUROSAI WGEA and its members share a commitment to use the power of public sector audits to leave a positive legacy for future generations by improving the management of natural resources and the environment, and the health and prosperity of the people of Europe.

EUROSAI WGEA has ever since the beginning focused on improving the management of natural resources and the environment in each country represented in the Working Group, and to develop Europe as a leading region in the area of good natural resources and environmental management in the public sector. Through its activities, EUROSAI WGEA aims to promote a spirit of cooperation based on integrity, open communication and professional excellence.

In order to achieve its vision, EUROSAI WGEA has set five strategic goals in the present Work Plan period (2008-2011):

1. Facilitate concurrent or coordinated environmental audits by SAIs in Europe.
2. Encourage the SAIs in Europe to initiate and implement audits within the area of climate change.
3. Develop methodology in the area of environmental auditing, and build the capacity of SAIs in terms of new methodology for environmental auditing.
4. Identify and develop governance practices and organizational structures to ensure the ongoing and effective functioning of EUROSAI WGEA.
5. Establish coordinated and effective processes in the area of environmental auditing between EUROSAI's working groups, INTOSAI's working groups and other relevant organizations and institutions.

Audits

In the period from 1999 to 2008 40 international and more than 600 national environmental audits

Through its activities, EUROSAI WGEA aims to promote a spirit of cooperation based on integrity, open communication and professional excellence.



Jørgen Kosmo.

The last three years the annual meetings have been held in Ukraine, Bulgaria and the Netherlands.

were performed among the members of the EUROSAI WGEA. Among the cooperative and concurrent environmental audits that lately have been carried out by the EUROSAI WGEA members let me mention:

- the European audit on climate change, led by the Supreme Audit Office of the Republic of Poland,
- the audit of state financial means allocated for air and ozone layer protection and implementation of related international agreements – climate change/emission trading, led by the Supreme Audit Office of the Slovak Republic,
- the report on implementation of the NATURA 2000 NETWORK in Europe coordinated by the Court of Accounts of France with the technical assistance of the European Court of Auditors,
- the audit on fisheries management and monitoring of the environmental impact on fish resources in the Baltic Sea, led by the National Audit Office of Denmark.

Among the ongoing parallel audits we have the parallel audit on the implementation of the provisions of the Bucharest Convention on the Protection of the Black Sea against Pollution, carried out by the National Audit Office of Bulgaria and the Accounting Chamber of Ukraine. Two Russian-Norwegian parallel audits are presently being carried on: one on the management and control of fish resources in the Barents Sea, and one on the radiation safety and protection of the environment against pollution from radioactive sources in Northwestern Russia. It has been decided to identify the possibility of starting a new cooperative audit on adaptation to climate change.

Annual meetings

The EUROSAI WGEA has organized eight annual meetings, thus allowing members to meet representatives from the INTOSAI WGEA, other regional working groups for environmental auditing and invited international organizations, and nongovernmental organizations.

The last three years the annual meetings have been held in Ukraine, Bulgaria and the Netherlands. Climate change, fisheries, water management, sustainable energy have been major topics, as well as discussions use of external experts in audit activities and on impact of environmental audits. The annual meetings have also been attended by representatives from EURORAI and the Working Groups on Environmental Auditing of the AFROSAI, ARABOSAI, ASOSAI, OLACEFs and INTOSAI. Among the invited speakers were the International Energy Agency (IEA), the United Nations Environment Programme (UNEP), the European Commission, the European Environment Agency, national authorities and parliamentary committees, and nongovernmental organizations like the World Wildlife Fund.

In 2011 in Stockholm, the main themes will be auditing transport related environmental issues and how to audit the three E's (economy, efficiency and effectiveness) in the environmental area.

Informal regional sub-target groups have been established in order to facilitate for maximum exchange of experiences between member SAIs from the same area. At the 8th annual meeting the Nordic Group met for the third time and the Mediterranean Group for the second.

Seminars

In March 2010, a seminar on auditing climate change was held in Copenhagen. It was attended by 58 participants from 26 SAIs. A similar seminar on auditing waste

In 2011 in Stockholm, the main themes will be auditing transport related environmental issues and how to audit the three E's (economy, efficiency and effectiveness) in the environmental area.



management with focus on exchange of experiences and sharing of knowledge will be arranged in April or May 2011.

In connection with the 7th annual EUROSAT WGEA meeting in Bulgaria there was a one-day training course on auditing biodiversity issues based on the INTOSAI WGEA biodiversity training module. Prior to the 8th annual meeting in the Netherlands there was a one-day seminar on sustainable energy based on the INTOSAI WGEA Guide on auditing sustainable energy, organized by the SAI of the Czech Republic.

Steering Committee

A Steering Committee has been established in order to support the chair and give strategic direction to the work of the EUROSAT WGEA.

The Steering Committee consists of: The European Court of Auditors, the Account Chamber of the Russian Federation, the Accounting Chamber of Ukraine, the Netherlands Court of Audit, the Supreme Audit Office of the Republic of Poland, the Office of the Auditor General of Sweden, the Court of Audit of Slovenia, the INTOSAI WGEA secretariat and the Office of the Auditor General of Norway (Chair).

Futures challenges

We are facing enormous environmental challenges; climate change, loss of biodiversity, lack of water and pollution. Measures have to be taken on the international level as well as locally. Environmental auditing has to meet these challenges. In addition comes that this is a young field of auditing. We all need to learn, to develop new methodology; and we all need to cooperate across national borders. The EUROSAT Working Group on Environmental Auditing has an important role to play also in the years to come. I am convinced that the group will contribute in gaining new knowledge and inspiration both in our daily work and in identifying new audit approaches and to seek cooperation with colleges and across national borders.

A Steering Committee has been established in order to support the chair and give strategic direction to the work of the EUROSAT WGEA.

Fact boxes

Background

The EUROSAT Working Group on Environmental Auditing (EUROSAT WGEA) was formally established by a resolution of the 4th EUROSAT Congress held in Paris, 3 June 1999. The EUROSAT WGEA was chaired by the Supreme Chamber of Control of Poland for the first nine years. In June 2008, the Office of the Auditor General of Norway took over the function. The number of member SAIs has been growing steadily. In May 2005 it amounted to 34 members and today the number of members count 44, including the European Court of Auditors. This means that most European SAIs have joined.

Website and Newsletter

One of the strategic goals of the present work plan is to establish coordinated and effective processes in the area of environmental auditing. In this context the EUROSAT WGEA has launched a new website, <http://www.eurosaiwgea.org>.

The working group also publishes a bi-annual Newsletter with news from the member SAIs, the sub-target groups, the INTOSAT WGEA and the EUROSAT WGEA secretariat. ●

Cooperation between INTOSAI Development Initiative (IDI) and EUROSAI since 1999-2000

INTOSAI DEVELOPMENT INITIATIVE (IDI)
SAI of Norway

Introduction

The IDI was established in 1986 to help SAIs from developing countries meet their existing and emerging needs in public sector auditing. In doing so, the IDI works closely with its key stakeholders, including EUROSAI as one of INTOSAI's regional bodies, to design, develop and deliver targeted, high-class capacity development programmes.

The cooperation between EUROSAI and the IDI started to flourish from 1999-2000. The political developments in Europe during the late 1990-ies and the establishment of EUROSAI Training Committee (ETC), which was mandated to cooperate with the IDI, in February 2000, were important reasons for the enhanced cooperation..

Since then, the cooperation has been growing within the framework of their common goals and in line with continuous development of their respective strategic directions. This article mainly presents the cooperation between the IDI and EUROSAI in the last 10 years.

This programme aimed to help primarily SAIs in Central and Eastern Europe to introduce the Systematic Approach to Training of adults which had already been successfully implemented by the IDI in SAIs of other INTOSAI regions.

Develop a Sustainable Training Infrastructure

During 2001-2006, the IDI's mission was to help SAIs of developing and emerging nations to improve their audit capacity and effectively take up current and emerging audit issues through training, information sharing, and provision of technical assistance to all INTOSAI regions. There was a high priority need to help develop training infrastructures in all INTOSAI regions.

In line with this need, the IDI and EUROSAI entered into their first cooperation programme, namely the Long Term Regional Training Programme (LTRTP). This programme aimed to help primarily SAIs in Central and Eastern Europe to introduce the Systematic Approach to Training of adults which had already been successfully implemented by the IDI in SAIs of other INTOSAI regions. The LTRTP would establish a pool of regional training specialists capable of assessing training needs and developing and delivering relevant training interventions both in their national SAIs and through participation in the regional training cooperation.

Considering the high number of SAIs who wanted to participate in the LTRTP and that there was a great demand for having the programme in both English and Russian, the second round of the LTRTP was split into two phases for the two language groups. Information regarding activities and outputs of the two phases of the LTRTP is summarized in table 1.

Following the successful completion of the LTRTP, the IDI in 2006 entered into a new cooperation with EUROSAI and INTOSAI Public Debt Committee to run a public debt audit capacity building programme in the Russian language for 11 SAIs from countries of the Commonwealth of Independent States (CIS) and Mongolia. The programme consisted of a seminar and design meeting over three weeks in February 2006 in Azerbaijan and a two-week workshop in May 2006 in Kazakhstan.

This programme was in fact an important milestone in the history of the IDI. It served as a transition platform for the IDI to reposition itself from being the training



Table 1. Two Phases of the IDI-EUROSAI LTRTP

Phase-1 2000-03	Phase-2 2004-05
<p>Target Countries: SAIs of 12 countries then being candidates for membership of the European Union</p>	<p>Target Countries: 20 countries in Eastern and South Eastern Europe</p>
<p>Activities:</p> <ol style="list-style-type: none"> 1. A 3-day Strategic Planning Workshop (SPW), Norway, December 2000 2. A 6-week Course Design and Development Workshop (CDDW), Czech Republic, October-November 2001 3. A 3-week Instructional Techniques Workshop (ITW), Poland, April 2002 4. A 2-week Instructors' Design Meeting, Norway, July 2002 5. Two Regional Audit Workshops (RAW): <ol style="list-style-type: none"> a. A 2-week RAW on Financial Audit and Fraud, Estonia, September 2002 b. A 2-week RAW on Financial Audit and Fraud, Cyprus, February 2003 	<p>Activities:</p> <ol style="list-style-type: none"> 1. A 3-day Strategic Planning Workshop (SPW), Croatia, November 2002 2. A 5-day Participant Orientation and Skills Assessment Workshop (POSAW), Russia, February 2004 3. A 6-week Course Design and Development Workshop (CDDW), Bulgaria, April to June 2004 4. A 3-week Instructional Techniques Workshop (ITW), Lithuania, September 2004 5. A 2-week Instructors' Design Meeting, Estonia, November 2004. 6. Two Regional Audit Workshops (RAW), Latvia, March 2005: <ol style="list-style-type: none"> a. A 2-week English RAW on Performance Audit and Fraud b. A 2-week Russian RAW on Performance Audit and Fraud
<p>Programme Outputs:</p> <ol style="list-style-type: none"> 1. LTRTP Workshop Manuals 2. A pool of 23 IDI-EUROSAI Training Specialists 3. An 8-day course on financial audit 4. A 2-day course on Fraud Awareness 5. 60 auditors trained in financial audit and fraud awareness. 	<p>Programme Outputs:</p> <ol style="list-style-type: none"> 1. LTRTP Workshop Manuals 2. A pool of 28 IDI-EUROSAI Training Specialists 3. An 8-day course on performance audit (Russian & English) 4. A 2-day course on Fraud Awareness (Russian & English) 5. 56 auditors trained in performance audit and fraud awareness.
<p>Programme Resources: Funding for phase-1 mainly came from the Norwegian Ministry of Foreign Affairs, with additional funding from the IDI and SIGMA. EUROSAI provided human resource and organizational support.</p>	<p>Programme Resources: Funding for phase-2 mainly came from the Norwegian Ministry of Foreign Affairs. EUROSAI provided human resource, organizational support and additional fund.</p>

arm of INTOSAI to becoming the capacity building secretariat of INTOSAI able to organize full-fledged capacity building programmes under the new IDI Strategic Plan 2007-2012. It also was a pilot for future IDI capacity building programmes and became a model for later capacity building programmes in cooperation between the IDI, INTOSAI regions, INTOSAI professional working groups and other professional partners.

Strengthen capacities of Supreme Audit Institutions

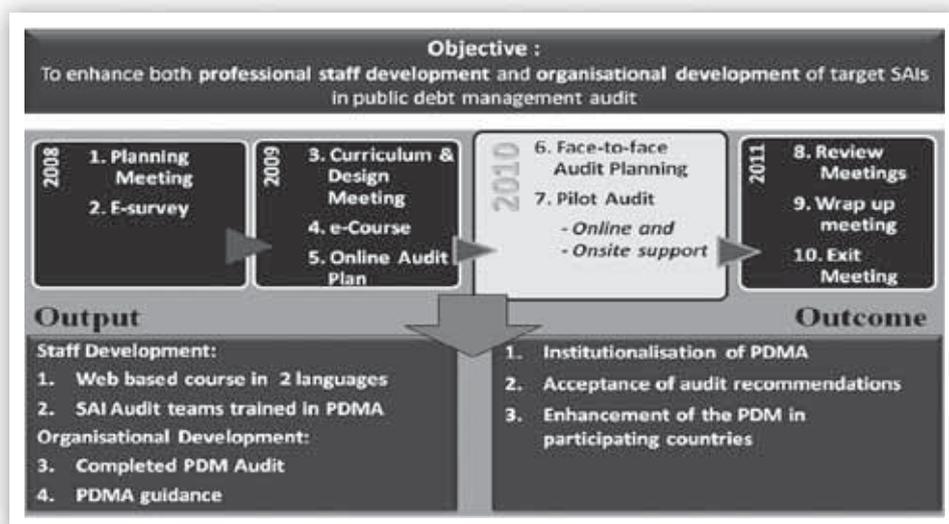
While developing a sustainable training infrastructure may provide substantial support to enhance professional capacity of SAI staff, it might not be sufficient or the only way to ensure measurable impact and overall strengthening of SAIs' capabilities in terms of both professional and organizational capacity. The IDI Strategic Plan 2007-2012 addresses a need for more comprehensive capacity building interventions to be used if developing SAIs shall succeed in enhancing professional and organizational capabilities.

Within this context, in 2008 the IDI launched a Transregional Capacity Building Programme on Public Debt Management Audit (PDMA). Spanning from 2008 to 2011,

This programme was in fact an important milestone in the history of the IDI.



the programme aims to enhance both professional staff development and organizational development of target SAIs. It constitutes a set of comprehensive capacity building interventions including an e-course, peer reviews, pilot audits with online and onsite supports, capitalizing on lessons learned and development of public debt technical audit guideline withdrawn from the pilot audit experiences. The overall programme design of the Transregional PDMA can be seen in exhibit 1 below.



The programme covers 29 SAIs from several regions (AFROSAI-E, AFROSAI-F/ CREFIAF, ARABOSAI, ASOSAI, CAROSAI, EUROSAI and PASAI).

Exhibit 1 - Programme Design of the Public Debt Management Audit (PDMA)

The programme covers 29 SAIs from several regions (AFROSAI-E, AFROSAI-F/ CREFIAF, ARABOSAI, ASOSAI, CAROSAI, EUROSAI and PASAI). There are six SAIs from EUROSAI participating in the PDMA programme: Albania, Lithuania, Macedonia, Moldova, Romania, and Ukraine. Information regarding participation of the six European SAIs is displayed in table 2.

Table 2. EUROSAI Participation in the Transregional PDMA Programme as of September 2010

No	Countries	Selected Pilot Audit Topics	Completion of Pilot Audit Report
1	Albania	Public Debt Reporting	February 2011
2	Lithuania	Management of Debt Securities in Domestic Markets	March 2011
3	Macedonia	Borrowing Activities	December 2010
4	Moldova	Public Debt Reporting	June 2010 (completed)
5	Romania	Management of External Loans	February 2011
6	Ukraine	Audit on the situation of public and publicly guaranteed debt for 2009	November 2010

After having conducted pilot audits in their respective countries, all participating SAIs will attend audit review meetings in March 2011 where they will discuss and finalise the draft audit reports and the outputs of the programme.

The IDI runs this programme in cooperation with the INTOSAI Working Group on Public Debt (WGPD), the Debt Management and Financial Analysis (DMFAS) Pro-



gramme of the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Institute for Training and Research (UNITAR). The major part of the funding for the programme comes from the Norwegian Ministry of Foreign Affairs. EUROSAI has provided financial support to cover parts of the costs for the participation of six EUROSAI member countries. SAI Portugal provides one of subject matter experts to this programme.

Promote Knowledge and Information Sharing

Apart from specific capacity building programmes to develop a sustainable training infrastructure and strengthen capacities of developing SAIs, the IDI continuously contributes to and promotes knowledge and information sharing within EUROSAI and the wider INTOSAI community. Knowledge sharing between the IDI and EUROSAI takes place in many forms. Some examples of the knowledge sharing practices are regular participation of the IDI in EUROSAI events (like Congresses, ETC meetings, seminars and workshops), dissemination and use of IDI and EUROSAI products (like courseware, guidelines, handbooks, seminar and workshop reports), and participation of subject matter experts from EUROSAI member SAIs in IDI capacity building programmes.

Knowledge sharing between the IDI and EUROSAI takes place in many forms.

What's next?

The major cooperation programmes discussed in this article demonstrate the positive development of the cooperation between the IDI and EUROSAI over the last decade. It started from developing a suitable training infrastructure through two phases of the LTRTP, to strengthening SAIs' capacities through more comprehensive capacity building perspectives with the Transregional Public Debt Management Audit P. The IDI attaches considerable value to its collaboration with EUROSAI, and sees it as an important tool for ensuring that both EUROSAI and IDI stays relevant to their respective stakeholders. The IDI looks forward to continuing its close cooperation with EUROSAI in delivering capacity building programmes by attaching importance to three principles: *needs-based interventions, in close consultation with ETC, and being in line with the IDI's and EUROSAI's strategies.* ●

EUROSAI at its 20 years' anniversary- towards a global strategy for common challenges and shared solutions

COURT OF ACCOUNTS OF ROMANIA

Harmonized strategies of member supreme audit institutions are aimed to conduct towards a global EUROSAI strategy.

The strategic objectives will be updated as necessary by carefully monitoring emerging risk factors.

Common challenges, shared solutions”, means more than a naming for the 2011-2017 EUROSAI Strategic Plan.

It's not only the outstanding value of “**sharing**” repeatedly promoted by EUROSAI, both by mentioning it in the title of the Strategic Plan and by formulating a particular strategic goal (the third one), on “**knowledge sharing**”. In fact, this concern of EUROSAI reflects and deepens a conviction in accordance with INTOSAI's motto “**Mutual Experience Benefits All**”.

The Romanian Court of Accounts fully supports EUROSAI's determination to improve the exchange of knowledge, information and experiences between its members and with external partners, in order to strengthen public sector auditing, accountability, good governance and transparency in the region.

On EUROSAI's 20 years' anniversary, the idea of **unity in diversity** is supported better than ever by EUROSAI's guidance offered to member supreme audit institutions in their strategic institutional capacity building.

Opportunity for **discussion and convergence on auditing public funds**, the starting point of the strategic planning of EUROSAI's future development consists of its **mission and vision** by developing the promoted values with the aim of accomplishing the settled **strategic objectives**. Harmonized strategies of member supreme audit institutions are aimed to conduct towards a **global EUROSAI strategy**. The benefits of **strengthening cooperation** are highlighted by the results of **working groups** which demonstrate the increasing obvious **advantages of networking and collaboration**.

Consequently to **rising the awareness** on the fact that **accountability** is at the heart of **good government** and **supreme audit institutions are an indispensable element** in the process of enforcing accountability and making it work, **the new collegiate leadership of the Romanian Court of Accounts whose mandate started late 2008**, modeled on a **modern European Union approach**, supports the **significant improvement of institution's activity**. A comprehensive process to continuously update its activities has begun.

In line with this, the Romanian Court of Accounts drafted a **new strategic plan for 2010-2014**, which is being reviewed and **will be continuously updated** according to the latest evolutions. Strategic measures and specific actions have been detailed for each objective. The strategic objectives will be updated as necessary by **carefully monitoring emerging risk factors**.

In order to be able to **best cope with the challenges** the Court of Audit of Romania faces, same as all EUROSAI member supreme audit institutions, as **warrant for transparency and sound management of democratic states**, our institution has recently **updated its standards**, with an emphasis on **implementing good practice in the management of audit quality**. RCA's **Code of Ethics** has also been **updated** to ensure auditors' independence, objectivity and integrity within the audit work performed. Many **internal regulations have been updated** and a **new modern and comprehensive website** in Romanian and English has been set up.



While EUROSAI is itself one of the seven regional working groups of INTOSAI, EUROSAI's working groups facilitate through the promoted **openness and transparency the discussion of issues of mutual concern** and the keeping abreast of **the latest developments in auditing and professional standards and good international practices**. The Romanian Court of Accounts benefits of **mutual support and exchange of information and experiences** in the **European region** through its **membership in EUROSAI's working groups** such as WGEA and IT, formed of supreme audit institutions at different stages of institutional development. The **plurality of needs and priorities of EUROSAI members** in the field of public auditing is a useful opportunity given to the Romanian Court of Accounts by the **active participation in the working groups meetings and proceedings**.

The Romanian Court of Accounts welcomes and supports EUROSAI's **commitment** in facilitating the **development of strong, independent and highly professional supreme audit institutions** and in encouraging the widest possible **involvement** of the member supreme audit institutions in the work of the organization, with the aim of **building capacity towards institutional development**.

We also **deeply appreciate** the role of an **effective catalyst** performed by the **INTOSAI Communication Strategy** and the **valuable INTOSAI Communication Guideline, useful and efficient professional collaboration tools** for disseminating **INTOSAI and EUROSAI values and accomplishments**.

The implementation of a **global strategy for EUROSAI** will enable **development** and will **highly support member supreme audit institutions** in discharging their responsibilities fully and effectively and in **continuously improving** their activity, also contributing to the **performance of the INTOSAI strategy in Europe** and to maximizing the effective use of **INTOSAI initiatives and products** to further **develop public sector auditing** in the region.

It is with much pleasure that the **Romanian Court of Accounts congratulates EUROSAI at its 20 years anniversary**, for the demonstrated **essential** features of **openness, knowledge sharing and cooperation** that strongly contributed to **strengthening the standing and reputation of supreme audit institutions** and to **making EUROSAI a success**. ●

The plurality of needs and priorities of EUROSAI members in the field of public auditing is a useful opportunity given to the Romanian Court of Accounts by the active participation in the working groups meetings and proceedings.

SAI activities aimed at satisfaction of citizens' demands and needs

SERGEY V. STEPASHIN

Chairman of the Accounts Chamber
of the Russian Federation

Much public attention is paid to bankruptcy proceedings at strategic facilities.

Social significance of SAI activities is caused by dual nature of SAI in many countries. On the one hand they are government control bodies, and on the other hand they are a **civil society institution** intended to ensure control of public resources use. Thus, SAI are not just government auditing bodies. The fact of their existence in a country is a very important indicator of establishment of democratic institutions, realization of the principles of separation of powers.

Characteristics of SAI activities that are most important for civil society development are publicity, interaction with the Parliament, independent public and expert organizations and ordinary citizens.

First of all, it is compliance with **publicity principle** set forth in the Lima Declaration, provision of reliable and independent information regarding the issues of great importance for public consciousness to society and to authorities.

As an example there may be mentioned the public reaction to results of the check of efficiency of budget expenses for preparation and participation of the national team in the Winter Games in Vancouver performed by the Accounts Chamber of the Russian Federation. The results shown by Russian athletes were recognized to be unsatisfactory and the use of public funds ineffective.

Taking into account recommendations of the Accounts Chamber on the basis of the audit results there was developed a complex system of **control and monitoring of preparation of the Sochi Olympic Games**, in budget estimates for 2011-2013 expenses for physical culture and sport are singled out into a separate section, a special-purpose item is created that enables to identify expenses for this investment project of great importance. Besides, the Organizing Committee of the Olympic Games and the state corporation Olympstroy have implemented an electronic system of detailed project management.

Much public attention is paid to bankruptcy proceedings at strategic facilities. During the previous two years an important area of our activities was ensuring the state interests in bankruptcy proceedings and **fighting against corporate raid**. There were performed audits of enterprises undergoing bankruptcy proceedings, in particular a motorcar factory, a coal mining company, a vehicle-building plant, and an airline company. In the course of the audits there were detected facts of illegal actions of bankruptcy creditors dealing with expropriation of federal property.

For example, no sooner that after audit of organization and performance of bankruptcy proceedings with respect to a federal state enterprise the required measures were taken upon recommendation of the Accounts Chamber, including but limited to transfer into the federal property of a 1.5 thousand ha land plot assigned to that enterprise.



Sergey V. Stepashin.



Lately much public attention has been paid to evaluation of activities of the Government of Russia and regional authorities dealing with **controlling fires that occurred this summer in Russian regions and mitigating their effects**. Abnormal heat and absence of rain resulted in increased number of wildfires in the central part of Russia. The total number of wildfires was over 32 thousand on the total area of more than 1.7 million hectares. Moreover, the fire events occurred in heavily populated regions of the country. The Government took emergent measures and considerable funds were allocated to 21 regions to mitigate wildfire effects.

By order of the President of Russia the Accounts Chamber promptly organized monitoring and audit of use of federal budget funds for liquidation of wildfires and their effects. In October of the current year at the National Crisis Management Center of the RF Ministry of Emergency Situations there was held a video conference with heads of control and audit bodies of the regions that suffered from wildfires. It was noted that budget funds came in full and mainly without delay. Use of those funds can already be seen: comfortable houses with well-developed social infrastructure have been built and people start moving in. At the same time it has been found out that in some regions there are risks with respect to timely use of the allocated funds and completion of construction of residential houses. Besides, proposals on improvement of fire safety and fire protection in the forests were discussed at the meeting.

Thus, it is publicity that is the main instrument ensuring the role of SAI as the most important element in the system of interaction of civil society institutions and authorities. The Accounts Chamber of the Russian Federation pays supreme attention to this aspect of work.

Thus, only during the 9 months of the current year Russian mass media produced over 23 thousand materials about activities of the Accounts Chamber, over 450 videos were shown on TV, and about 400 announcements and programs were broadcasted on the radio. Web-site of the Accounts Chamber in the Internet was visited over 280 thousand times. There were 9.5 thousand statements on the tapes of information agencies and about 11 thousand statements at Internet portals. Over 450 presentations were broadcasted on TV and about 400 announcements were done on the radio.

There were arranged 27 interviews of the Chairman of the Accounts Chamber to the press and electronic mass media as well as 8 press-conferences of the members of the Collegium of the Accounts Chamber. 205 press releases were sent to mass media.

Another element strengthening the role of SAI in establishment of civil society institutions **is interaction with the Parliament**. In most countries representative authorities are the main guarantor of SAI functional independence. It is active and independent position of the Parliament that enables SAI to ensure really efficient control of spending of budget funds that are actually taxpayers' money by executive authorities. It also enables to prevent situations when half-baked decisions of the authorities affect social interests of all levels people.

From this point of view there is an illustrative example of interaction between the Accounts Chamber of Russia and the lower house of parliament (the State Duma) that took place at late 2009 and in early 2010 in the course of reforming budget (municipal) organizations in order to improve the efficiency and the quality of rendered government and municipal services. Draft federal law on improvement of the legal status of state (municipal) organizations assumed making amendments to 18 legislative acts of the Russian Federation, in particular the Civil Code, the Budget Code, the Tax Code and 15 acts in the field of education, science, culture, archive-keeping, defense, etc.

Conceptual amendments suggested by the draft law assume reforming some hundreds thousands of budget organizations, transfer of budget organizations from esti-

Abnormal heat and absence of rain resulted in increased number of wildfires in the central part of Russia.

Besides, proposals on improvement of fire safety and fire protection in the forests were discussed at the meeting.

Another element strengthening the role of SAI in establishment of civil society institutions is interaction with the Parliament.

When the draft law was considered in the State Duma dozens of adjustments were made on the basis of comments and proposals of the Accounts Chamber and the lawmakers.

mate financing to granting for performance of government assignment, broadening of their rights for use of income and property.

When the draft law was considered in the State Duma dozens of adjustments were made on the basis of comments and proposals of the Accounts Chamber and the lawmakers. In particular, the number of legislative acts that shall be amended was increased up to 30, before July 1, 2011 a transition period is set, when financing of budget organizations remains as before.

In opinion of the Accounts Chamber it will minimize potential negative aspects in the course of large-scale reformation of the network of budget organizations.

Much work is performed by the Accounts Chamber to improve the legislation, in particular **anti-corruption** aspects thereof. In the current year 10 opinions for draft federal laws have been drawn up. Supreme attention is paid to improvement of the legislation in terms of prevention of corruption in the system of government procurement, and improvement of the system of accounting for state property, in particular in the field of intellectual property.

Proposals on establishment of a uniform system of key quantitative target indicators that shall be used as parameters to evaluate the efficiency of the state anti-corruption policy are being worked through.

One of the most important mechanisms of realization of the National anti-corruption strategy for 2010-2011 is taking into account the corruption risks when forming and executing budgets of all levels. In the opinion of the Accounts Chamber the anti-corruption expert examination shall become an important element of further work aimed at improvement of the budget legislation.

Another element of SAI influence on establishment of civil society institutions is **forming wide connections with independent public and expert organizations.**

For example, the Accounts Chamber works in close cooperation with such reputable public organizations of Russia as the Public Chamber, the Association of Lawyers, the Union of Taxpayers, etc.

Much attention is paid to expert and analytical work, development of proposals on improvement of the legislation affecting budgeting. Therefore an Expert Advisory Board functions under the Chairman of the Accounts Chamber. The members of the board are representatives of science and business. In this context there are active contacts with public structures representing interest of business – the Russian Union of Industrialists and Entrepreneurs, the Chamber of Commerce and Industry, the Association of Russian Banks, etc. Besides, an agreement for the purpose of information interaction is signed between the Accounts Chamber and the Commissioner for human rights in the Russian Federation.

Thus, at a recent joint meeting of the Expert Advisory Board under the Chairman of the Accounts Chamber and the Economics Section of the Department of Social Sciences of the Russian Academy of Sciences the main provisions of the opinion of the Accounts Chamber regarding the draft federal budget for 2011-2013 were discussed. Top-level scientists and business representatives supported the opinion of the Accounts Chamber and noted that it was based on comprehensive analysis of materials representing prospects of social and economic development of the country and its financial resources in the forthcoming three-year period.

At last the most important aspect of SAI influence on strengthening of civil society institutions is **broadening their contacts with regular citizens.** For this purpose three years ago the Accounts Chamber founded a Public Reception Office. During only 9 months of the current year 2 thousand people came there with different requests and

Another element of SAI influence on establishment of civil society institutions is forming wide connections with independent public and expert organizations.



claims. Response was provided to the applicants in the form of qualified consultations and sending letters to respective agencies.

Use of the said elements enables SAI to provide information about its activities in a clear form to the civil society as a whole and to regular citizens.

For a democratic law-governed state a constructive, efficient control of management of public resources is a guarantee of stability. Therefore, performing its activities the Accounts Chamber pays attention to such an important aspect of state financial control as enhancement of society's trust to institutions of government authorities showing in its opinions that interests of citizens are of top priority for it. ●

**During only
9 months of the
current year
2 thousand people
came there with
different requests
and claims.**

A new era in Financial Auditing – challenge and opportunity for EUROSAI

INTOSAI FINANCIAL AUDIT SUBCOMMITTEE (FAS) SECRETARIAT
Swedish National Audit Office

These standards are globally accepted and widely used among auditors worldwide, in both the private and the public sector.

There were extensive discussions and much work with setting up a project structure and suitable work processes.



complete set of guidelines for audit of financial statements in the public sector was endorsed at the XX INCOSAI in Johannesburg in November. This historic event opens up for opportunities and could help improve the work for thousands of public sector financial auditors around the world, not least in the EUROSAI region. EUROSAI can have an important role to play when it comes to promoting and facilitating the implementation of the ISSAIs among its members.

The path towards common guidelines

Even before the creation of EUROSAI, INTOSAI approved the very first version of the INTOSAI Auditing Standards at the Congress in Berlin in 1989. Those standards have been revised but the essence remains. The INTOSAI Auditing Standards are still in place and although they are widely used by INTOSAI members, there were almost immediate requests from SAIs who needed guidance oriented towards the daily work of their auditors. As a result, the work with developing the 38 ISSAIs (International Standards for Supreme Audit Institutions) for financial auditing started in 2002. At that time it was decided to draw upon already existing and generally accepted standards, and the ISAs developed by the International Assurance and Auditing Standards Board (IAASB) were chosen. These standards are globally accepted and widely used among auditors worldwide, in both the private and the public sector. The INTOSAI Financial Audit Subcommittee (FAS) took on the task to write Practice Notes to complement the ISAs, making them applicable for audits of financial statements in the public sector.

The INTOSAI Financial Audit Subcommittee soon had 9 member SAIs, and a secretariat was set up and hosted by the Swedish National Audit Office. There were extensive discussions and much work with setting up a project structure and suitable work processes. In 2003 a Memorandum of Understanding was signed between INTOSAI and IFAC, through their respective standard setting bodies, the Professional Standards Committee and the International Auditing and Assurance Standards Board. A very successful cooperation had taken shape. To make best use of the existing expertise worldwide, a Reference Panel was created, soon to contain the CVs of more than a hundred skilled financial auditors from every corner of the world. A large number of these were assigned to work on task forces dealing with a group of ISAs at the time, and soon the work of developing Practice Notes was in full swing.

What are the ISSAIs for Financial Audit

It is most likely that public auditors have heard about the ISSAIs by now and wish to learn more. The work has involved generous contributions by 60 different SAIs worldwide actively participating in the cooperation, and by an additional number of SAIs who have contributed their expertise and experience by commenting on exposure drafts. The work has been facilitated by contributions from the World Bank, the Asian Development Bank and the IAASB.

In addition to what is found in the introductory ISSAI and in the glossary, the ISSAIs consist of Practice Notes developed by FAS to each and every of the 36 ISAs. The



Practice Notes describe how best to apply the ISA in a public sector environment. The ISSAIs cover all areas or processes involved in an audit of financial statements.

All along the way, it has been very important for FAS to follow a due process to ensure accountability, transparency and credibility. This has meant broad participation in the work by INTOSAI members and cooperation with globally recognized and accepted partners. Furthermore, transparency in the process has been achieved through exposure drafts and welcoming of comments from Supreme Audit Institutions as well as any other interested parties. As this due process has been followed during the development phase, the ISSAIs are of high professional quality and applicable in different audit environments.

As a result they will contribute to enhanced quality in audits of financial statements, increased credibility in auditors' work and to form a common basis for professionalism in auditors' operations worldwide.

What's in it for EUROSAI members

As one of the seven Regional Working Groups of INTOSAI, EUROSAI aims at promoting professional and technical development and cooperation among its members, as well as mutual support within the region. In this regard, the INTOSAI Financial Audit Guidelines are an invaluable tool also within EUROSAI. Any SAI in our region can improve the quality and credibility of its financial audits.

The INTOSAI Financial Audit Guidelines will form the basis for auditors' professionalism. Working in accordance with international standards will allow for joint training initiatives with auditors nationally and regionally. For SAIs deciding to implement the ISSAIs a chance for cooperation and exchange of experiences with other SAIs and auditors in different countries will open up. It will be possible to relate the work to that of others working in accordance with international standards.

Furthermore, stakeholders, such as the parliament, the executive branch, the auditees, the press and the general public will have strengthened confidence in the work of the SAI. The use of globally accepted standards will provide EUROSAI members with a common language for professional discourse and cooperation.

Implementation

Each SAI will of course have to analyze its needs for implementation activities based on its environment and existing practices. The SAIs also need to weigh the advantages and disadvantages of implementing the guidelines in several steps or as a package. For example, starting by implementing the risk standards may be one option. How the ISSAIs are implemented will influence the resources needed. Like all other INTOSAI standards and guidelines, the Financial Audit Guidelines are not mandatory for members of EUROSAI, but constitute a recommended approach to financial audit.

Authority of the guidelines

SAIs may choose to adopt the ISSAIs as the authoritative standards to make reference to in the auditor's report; as guidelines to support the use of the INTOSAI Fundamental Principles, or, where applicable, to support other relevant national or international standards. If the ISSAIs are to be referred to as authoritative standards the authority of the ISAs needs to be considered. In some countries, the audit law, regulation or mandate may prescribe which standards to apply. In cases where other standards are prescribed, implementation of the ISSAIs as guidelines to support such standards may still be an option. In other environments, the SAI can independently decide what standards to use. Although these implementation options have been specified in the ISSAIs for Financial Audit this may be a helpful approach when considering other ISSAIs as well.

The work has been facilitated by contributions from the World Bank, the Asian Development Bank and the IAASB.

Any SAI in our region can improve the quality and credibility of its financial audits.

The use of globally accepted standards will provide EUROSAI members with a common language for professional discourse and cooperation.



The guidelines will be conveniently accessible on the web and on CD, and they are found on www.issai.org.

The Practice Note parts of the ISSAIs are available in Arabic, English, French, German and Spanish following the endorsement by INCOSAI in South Africa in November 2010. The ISA part of the ISSAIs will be provided in the INTOSAI languages as soon as they are made available to INTOSAI. That will depend on the timing of the adoption of the ISAs as EU law. As for other languages SAIs are asked to turn to the IAASB for assistance.

Looking ahead

It is the aim of FAS to continue the cooperation with the IAASB, widening the exchange of experiences and continuing to benefit from each others' expertise in different areas. IAASBs standards are subject to revisions and additions of new standards when a need is identified. FAS will incorporate such new revisions of the ISAs into the ISSAIs and monitor the implementation achievements around the world to further refine and adjust our guidelines where and when needed.

The endorsement of the Financial Audit Guidelines by INCOSAI has created opportunities for EUROSAI as a regional organisation to promote professional and technical cooperation among its members. The importance and relevance of professional standards within EUROSAI is also reflected by the attention given to this issue in the work with developing a EUROSAI Strategic Plan. It is now up to EUROSAI to take this opportunity to promote and facilitate the implementation of the ISSAIs among its members.

For any additional information, please contact the FAS Secretariat:

Fax: +46-8-51714111

E-mail: projectsecretariat@riksrevisionen.se

Website: <http://psc.rigsrevisionen.dk/fas> ●

**IAASBs standards
are subject to
revisions and
additions of new
standards when a
need is identified.**



Born on 1 October 2002 in The Hague: The IT Working Group

MICHEL HUISSOUD
Swiss Federal Audit Office

Officially, the IT Working Group dates back to 31 May 2002, when the resolution to establish it was passed by the 5th EUROSAI Congress in Moscow. It was four months later, however, that the IT Working Group actually came into being, settling in the home country of the woman who so enthusiastically initiated it, Saskia Stuiveling, President of the Netherlands Court of Audit.

In the eight years since then, the IT Working Group has built up a network of relationships of trust and has earned respect and recognition for the quality of its work across Europe. Some new faces have replaced those who have departed for fresh fields or a well-deserved retirement, and Kurt Grüter has taken on the Chair of the IT Working Group. The following is a brief outline of this group and its projects.

Mixing the professions: Something of a gamble

From the beginning, the IT Working Group has been unique in bringing together the IT managers of Supreme Audit Institutions (SAIs) with the IT auditors. It is probably the only working group that does not focus solely on audit experiences or methodology, instead initiating dialogue among the SAIs' support functions. This was certainly a gamble, as communication between the IT function and the users of IT is nothing if not a challenge. There is hardly any SAI where the auditors do not complain about the quality of service of their IT department. Meanwhile, the IT managers face the daunting task of having to computerise processes that are not harmonised and sometimes not even documented while, at the same time, satisfying a group of users whose job is to find fault... And yet, the bringing together of both professions within a single group does seem to work. The proof lies in the success of their IT Self-assessments (ITSAs), the project for which the IT Working Group is best known. ITSAs have not only helped foster communication within an individual SAI but also highlighted the common problems often shared by different SAIs.

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Kurt Grüter and Saskia Stuiveling

**Thus, how
can users'
expectations be
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secondly, how
can these be
reconciled with
the technical
constraints?**

After more than 30 IT Self-assessments (ITSAs): What are the lessons learnt?

The good news is that the SAIs are in control of their day-to-day IT problems; in general, their systems are available and reliable, with data losses and computer viruses a rare occurrence. What's more, the SAIs generally have access to the funding needed to maintain their IT infrastructure properly, and auditors today work with modern laptops adapted to their needs.

The SAIs' technology requirements, however, present an intricate challenge. Today complex management systems are needed to keep track of assignments, manage the document and information flow electronically and offer auditors the possibility of remote information access.

Such complex projects face two major obstacles in SAIs, where – as in all other companies – a certain divide exists between IT developers and IT users. Thus, how can users' expectations be defined? And secondly, how can these be reconciled with the technical constraints? Projects have to first answer these questions. But the SAIs also have a particular feature that adds to the complexity of large-scale projects: the independent nature of each SAI's various organisational units often makes it impossible to harmonise the working methods, tools and IT applications within the same SAI.

ITSAs often reveal that, in order to ensure good IT governance, any SAI first has to set about harmonising its management and working methods. In other words, it must first ensure good **corporate** governance.

Following its last meeting in Bern in September, the IT Working Group proposed to bring together the SAIs' IT managers within the context of a new project to "evaluate, install or develop an Audit Management System". More to follow...

Tax fraud: A project with enormous potential

Tax and customs authorities handle huge quantities of data. Over the past few decades, they have traditionally turned to computerised applications to perform their work. However, auditors working in this area have identified a real potential for improvement in making better use of IT applications to combat fraud.



Participants of the e-Government meeting held in Bern, September 2010

Taking an approach that is quite innovative, this project puts the national tax and customs authorities of various countries in contact with one another, offering them the support of the EUROSAI framework and assistance from their SAIs in sharing their experiences. In order to implement such an original solution, certain taboos had to be overcome, e.g. acceptance of direct dialogue between auditors (the SAIs) and auditees (the tax and customs authorities), bringing together around one table the representatives of various European countries and, within each country, getting the various tax and customs administrations to actively work together.

Initial results indicate that this approach is working. Auditors can thus make a contribution to improving international cooperation to combat fraud while, at the same time, encourage their own national administrations to challenge and step up their use of IT tools to prevent or detect fraud.

The e-Government project: Knowledge management tools

We all face the challenge of the increasing complexity and ever-expanding volume of information available. New standards, new systems of reference, new checklists: how can all this documentation be organised in a way that is both practical and user-friendly? A group of specialists have come together under the name “e-Government project” to develop a platform for organising all this knowledge and guiding auditors in their work. Now that an initial pilot project has been realised, the objective today is to test the feasibility of deploying this pilot, using a system comprising a back-office and an editorial body.

IT audit: Identify problems with an ITASA

Do you apply the audit standards correctly? Do you include IT risks when auditing financial statements? Do you have an overview of your auditees’ IT projects and investments? Do you have enough IT audit specialists? Are you proficient in ACL or IDEA? These are just some of the topics addressed in an IT Audit Self-assessment (ITASA).

If you would like to see how your SAI fares and check that your IT audit function meets your needs, do like Austria, Hungary, Lithuania, Switzerland, Finland, Spain and Poland and organise an ITASA in your country too. In just two days, with the support of an external facilitator, you will have a candid, confidential and competent analysis you can use as a basis for making the right strategic choices in managing your SAI.

Further information

For more information about the IT Working Group’s activities and projects: www.eurosai-it.org

To organise an ITSA in your country: michel.huissoud@efk.admin.ch

To participate in the activities of the Tax Fraud project: L.Krijnen@rekenkamer.nl

To participate in the activities of the eGov group: marina.fonseca@tcontas.pt

To organise an ITASA in your country: michel.huissoud@efk.admin.ch

Upcoming events of the IT Working Group

9-10 November 2010 in Moscow, Russia: Seminar on Tax Fraud

7 December 2010 in Bern, Switzerland: ITASA project meeting

21-22 February 2011 in Istanbul, Turkey: 7th EUROSAI IT Working Group Meeting

Bern, 29 September 2010 ●



New trends in auditing: innovation in the work of Supreme Audit Institutions

SASKIA J. STUIVELING

President of the Netherlands Court of Audit¹

INTRODUCTION

Let me begin by offering my congratulations: EUROSAI is 20 years young! In this article I will elaborate on the need for innovation in the public sector (including among auditors) and how the Netherlands Court of Audit (NCA) is currently managing innovation. I will conclude by describing a number of innovations we have been implementing – or rather are currently struggling to implement – in our organisation. The aim of the article is not only to share examples, but also to inspire colleagues to use innovative means in audit in both their national and international work, but also in their cooperative work within EUROSAI.

1. The need for innovation

Innovation has become a buzzword, a management mantra that should be applied by all organisations. But I sincerely believe that innovation is needed in the public sector and that we as Supreme Audit Institutions (SAIs) – as part of the public sector – should have the ability to look at new phenomena in new and different ways. As the external auditors of government, SAIs provide not only assurance but also lessons on how to improve government and governance. We therefore see audit as an assurance and learning tool.

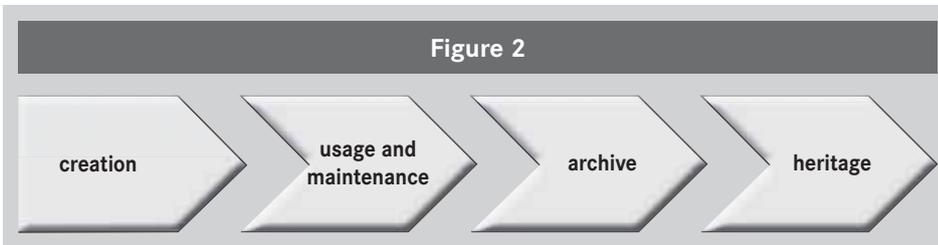
To be able to benefit and improve the learning ability of our auditees, we have to be in touch with our society, which is constantly changing and challenged by uncertainties. As auditors we need the ability to look in new and different ways at new phenomena. If we don't, we are closing our eyes to reality and will become less relevant to the society we want to serve.

Figure 1



¹ With much appreciated assistance from Hilde van Dijk, Ina de Haan, Egbert Jongsma, Matthijs Kerkvliet, Ilse Mol, Olga Rademakers and Hayo van der Wal from the Netherlands Court of Audit

Let me illustrate the need for innovation in auditing by highlighting the challenges that managing information poses at the present day. For ages we managed information by having that information on paper.

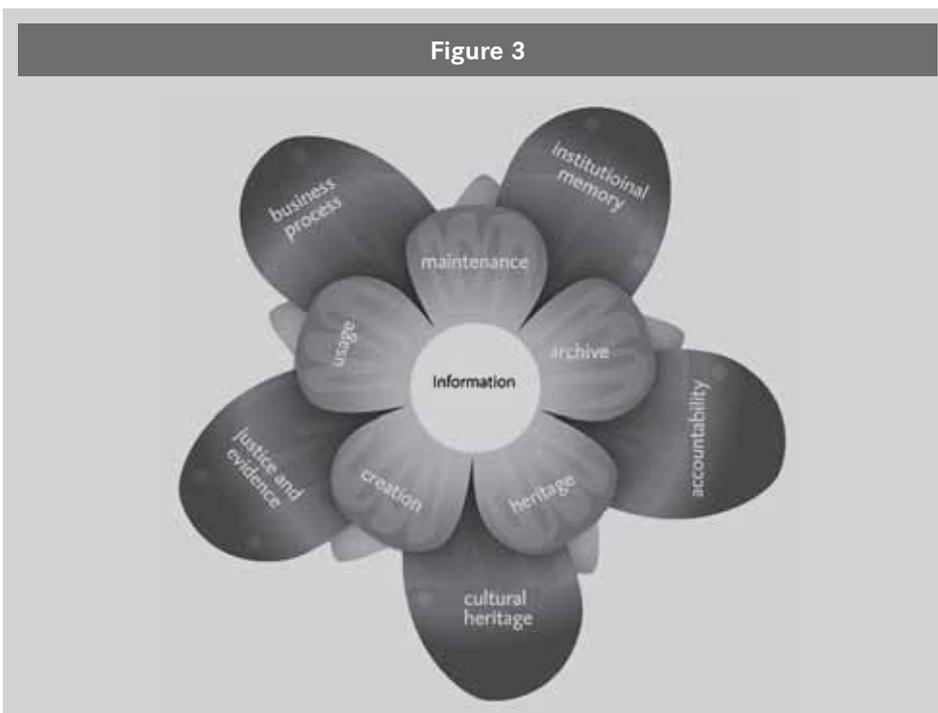


The information on paper reached us in a logical and chronological way: information was created, used, managed and finally disposed of or archived. So it was fairly easy for auditors to create or reconstruct an audit trail by following the paper trail. It is almost part of our DNA that the functions of information follow each other logically and sequentially.

With the introduction of electronic information, things got much more complex. With our mindset still in the sequential mode, we have to cope with information that has potentially to serve all the stages at the same time. Nowadays, from the moment information is created, it is immediately used, reused, altered and stored. Information from various sources and with various functions is flowing at the same time. When creating information you already need to decide whether it should be stored in an archive (cultural heritage), because the longer you wait the more difficult and time-consuming this will become. Even worse: the information may be irretrievably lost.

Information technology (IT) today is not yet designed to be able to handle this complexity and instant multifunctionality of information. Sadly, this means that it has become part of the problem instead of part of the solution. Public institutions tend to create new rules and procedures, and introduce new responsibilities to cope with the

The information on paper reached us in a logical and chronological way: information was created, used, managed and finally disposed of or archived.

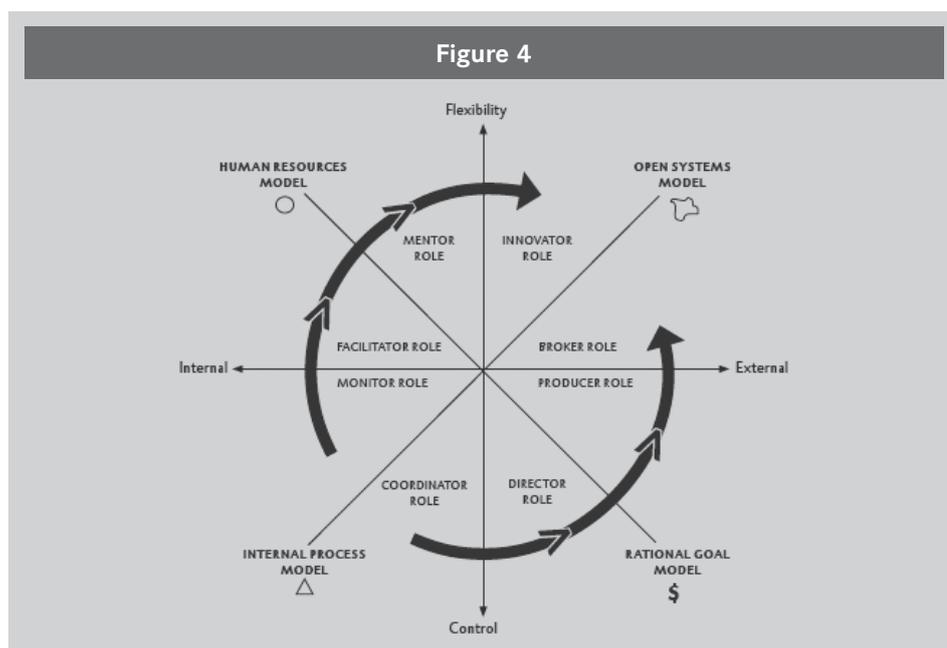


Our governments therefore have difficulty coping with the changes and challenges of society and its dynamics.

changes and challenges of society. But the dynamics of society goes beyond the dynamics of the decision-making process within our public sector: rules are fixed and difficult to change, whereas society is changing rapidly. Our governments therefore have difficulty coping with the changes and challenges of society and its dynamics, and that is one of the reasons why the gap between government and society is widening.

The mismatch between the dynamics within our governments and that of the societies we serve can be portrayed with the Competing Values Framework of Robert E. Quinn². This model describes the competing values of an organisation: internal focus is competing with external focus, and control is competing with flexibility.

Our governments therefore have difficulty coping with the changes and challenges of society and its dynamics.



If we had to plot the Dutch public sector – yours too? – on this diagram, we would place it in the bottom left quadrant: an organisation that is focused on control and internal procedures. It is geared to continuity and stability, and stays that way by doing things based on routine. The emphasis is on clarifying responsibilities and procedures: it is rule-based.

As already mentioned, our society is constantly and dynamically changing and is challenged by uncertainties. This represents the top right quadrant: the open systems model, focused on flexibility and the environment in which it operates. The emphasis in this quadrant is on change and innovation: it is principle- or value-based. The public sector therefore struggles to be efficient and effective in a rapidly changing society that is more and more organised in changing national and international networks of individual citizens and organisations.

The arrows shown in Quinn’s model are mine, not Quinn’s. They represent the two flows of activities that the public sector in the Netherlands seems to undertake in its struggle to escape from the bottom left quadrant.

One flow moves upwards and then bends to the right, and focuses on the qualities of civil servants: capacity building. The underlying assumption being: value-based civil servants are more flexible but still committed to doing the right thing. They can work in

² Quinn, R. (1988). ‘The Competing Values Model: redefining organizational effectiveness and change’. In *Beyond Rational Management: Mastering the Paradoxes and Competing Demands of High Performance*. San Francisco: Jossey-Bass.



a less rule-based manner, so that the organisation as a whole will be more flexible and able to adapt in time to the needs of the external world. In the Netherlands this takes the form of hiring people to work for the public sector in general rather than a specific part of it, making people in senior positions rotate jobs, etc.

The other flow moves to the right and then swings upwards, and focuses on rationality in policy and policy implementation: on output budgeting for instance. Most SAIs will recognise this flow, and most of us take an active part in promoting it by the way we audit and in our conclusions and recommendations.

However, the two flows do not yet meet in the upper right quadrant where – according to Quinn – our public sector should eventually arrive. The whole picture poses a real brain-teaser for auditors. We tend to follow the music, not to be ahead of the music. But perhaps we should abandon this attitude, break free of our focus on rules and procedures, and rethink how best to help our public sector to become effective again. How can we achieve this?

2. Managing innovation

Innovation means more than developing a tool or instrument: it is about being open-minded and not being afraid to try new things or to do things in a new way. Innovations are also cultural interventions: they encourage organisations to be aware of their culture, to review it critically and to be willing to change it – by breaking taboos. The environment in which we operate as auditors is changing rapidly, and if we are unable to cope with these changes by doing things differently, the environment itself will force us to change. But then we will lack the power to manage the change ourselves.

Managing innovation means overcoming a number of challenges, such as: changing the dominant organisational culture; mobilising broad support for implementing innovations;

developing a long-term perspective for implementing innovations; disseminating experiences with innovations; and not being afraid to fail.

Our experiences with recent innovations have taught us that there are at least three crucial conditions for managing effective and sustainable innovations. First, there should be an opportunity to fail: innovations can and may fail. SAIs should have an open mind towards trial-and-error and should not be afraid of trying something new that carries the risk of failure. Second, there should be time to let the innovation grow and prove its value. Third, there should be people with the right mindset (enthusiasm) and sufficient means and support (from the top) to go out and really do it.

The NCA is embedding innovation by: (1) developing and implementing our strategy; (2) participating in INTOSAI working groups; (3) establishing an Innovation Lab.

2.1. NCA Strategy 2010 - 2015

In our new strategic period, 2010-2015, we want to focus on improving the learning ability of public administration. We therefore need to give the interests of the final beneficiaries of government policies a more central role in our financial and performance audits by asking ourselves: Is government doing the right things (outcome)? Is government doing things right (output)?

When auditing the *performance* of the public authorities, we assess whether they operate in a *demand-driven, effective and efficient* manner, by scrutinising policy, implementation and the link between them. We ask ourselves the following questions: Does policy address society's needs and problems? Is it implemented effectively and efficiently? Is policy practicable and enforceable? Is policy prepared properly? Can government learn from it?

One flow moves upwards and then bends to the right, and focuses on the qualities of civil servants: capacity building.

The other flow moves to the right and then swings upwards, and focuses on rationality in policy and policy implementation: on output budgeting for instance.



To ascertain whether the government is doing the right things, we look at the *outcomes* of policy. Of course, the policy choice itself belongs exclusively to the political domain. To ascertain whether the government is doing things right, we look at the *outputs*. We assess whether government ambitions (1) are in line with the time allotted (2), the people who have to implement them (3), and the budget and other resources allocated (4). Ideally, the ambitions and the three implementation conditions should be in balance.

2.2. INTOSAI/EUROSAI

The NCA maintains good relations with its sister organisations all over the world and actively participates in several INTOSAI and of course EUROSAI working groups. For instance, within the framework of the EUROSAI ITWG it is currently heading a joint project on tackling transnational tax fraud with sister organisations and other relevant organisations in the countries concerned.

Transnational tax fraud is undergoing many changes and the money involved circulates very rapidly (often in electronic form). It is a typical example of a problem where rules and decisions often come too late and fail to keep up with developments. An example of innovation in this field is the use of smart IT tools and, above all, the strengthening of cooperation between SAIs and their countries' tax administrations. This increases the likelihood of devising an effective national and international strategy for tackling this damaging type of fraud. We also take an active part in, and draw inspiration from, the INTOSAI Task Force on the Global Financial Crisis (see 3.1).

2.3. Innovation Lab

To support and manage innovation the NCA decided to create an Innovation Lab. Its aim is to stimulate, support and disseminate innovation in our organisation. To ensure that our Innovation Lab is a success, we have to position it outside our bureaucratic rules and procedures. It should be flexible and focus on relevant developments in our professional environment. So what kind of innovations are we currently developing and implementing?

3. Recent innovations

Before I describe some examples of innovations we are currently implementing at the Court of Audit, I want to distinguish various types of innovation:

- innovative methods: using new ways of conducting our audits;
- innovative products: using new ways of communicating the results of our audits and our knowledge;
- innovative interventions: using new ways of influencing our auditees and other stakeholders;
- innovative relations: investing in and developing relations with stakeholders other than our auditees.

Innovations can be triggered by changes and challenges in our environment, such as the global financial crisis and its effects on the financial stability of the Netherlands. They can also be triggered by wishing to be more effective as an auditor by doing things differently, such as putting the beneficiaries of government policies at the core of our audits (reality checks). And they can be triggered by using methods and techniques developed by others, such as the availability of geographical information and technology like Global Positioning Systems (GPS) and Geographical Information Systems (GIS). And by gathering information in a different way as close as possible to society by using the social media (Twitter, Facebook, etc.), for example through 'crowdsourcing'.

Transnational tax fraud is undergoing many changes and the money involved circulates very rapidly (often in electronic form).



3.1. *Focus on the global financial crisis*

2009 was a particularly memorable year for the NCA. The Netherlands has a large financial market and consequently proved especially vulnerable to the effects of the bank crisis and the subsequent financial crisis. Government measures in response to the financial crisis confronted us with completely new and fundamental questions.

The financial crisis also meant that we had to quickly update and deepen our knowledge of the financial sector. In several activities or interventions we looked at the effects of the global financial crisis and the measures taken by the Dutch government:

- In our 2008 regularity audit we had to assess the regularity of the procurement of a Fortis/ABN-AMRO – a private bank – by the Dutch government for €23 billion and its presentation in the financial accounts.

- We examined the interventions and arrangements made by the Ministry of Finance in response to the financial crisis, covering the last four months of 2008 and the first quarter of 2009. On this basis, we prepared a monitoring report listing the main characteristics of each intervention or arrangement, together with the relevant terms and conditions, the checks and controls that were put in place to secure compliance with the terms and conditions and, finally, the Court's powers.

- We also opened a web file on the Court's website about the financial crisis interventions. The file also contains other relevant information, such as on the activities undertaken by our counterparts in other countries in response to the financial crisis.

- At parliament's request, we investigated – in a record time of one week – the financial calculations relating to the sale of business units of ABN-AMRO to Deutsche Bank.

3.2. *Reality checks*

This year we carried out *reality checks* for the first time. At the moment we are only experimenting, but the results have encouraged us to continue. We try to ascertain the concrete effects of policy on stakeholders (the public, companies, organisations, etc.). In other words, our investigations must show whether money has actually been spent on the politically agreed goals. We selected 20 societal problems and examined how central government tackles them, whether the measures lead to practical solutions, and how ministers account for them. We assessed whether central government policy addresses problems that confront the public, organisations or companies. These checks do not provide an overall picture but they do give an impression of whether policy is helping to solve society's problems.

To this end, the checks focus on four questions: (1) What do stakeholders think? (2) Does this correspond to what the policy was intended to achieve? (3) What has the money been spent on? And (4) How does government account for its actions in its annual report to parliament?

The coming year we will again perform reality checks, but not as many as the first time. This first "test" told us that these audits are more time consuming than expected. So unfortunately, exactly at the moment when we had the right focus, we needed more time to analyse and "peel" the layers of the issue further our resources were finished and we had to stop. A second lesson was to focus more on the possibilities and reality of the "final" civil servant, those delivering the public service and who have direct contact with the citizens. To support and encourage solutions for those hard workers in the public sector could be the key to get things moving again. We will keep you posted about our experiences with the second round of reality checks.

3.3. *Geographical Information Systems (GIS) and Auditing*

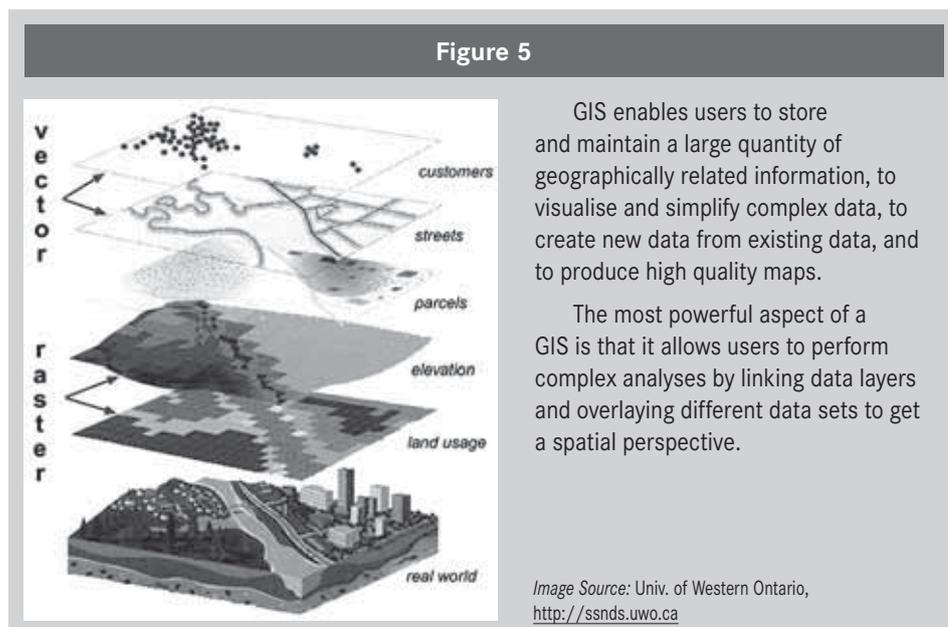
Geographical or spatial information – like postal codes or latitude and longitude coordinates – provides information about a specific location. A GIS can be described as

The financial crisis also meant that we had to quickly update and deepen our knowledge of the financial sector.

To support and encourage solutions for those hard workers in the public sector could be the key to get things moving again.

a computer system that facilitates data entry, storage, analysis and presentation especially for geographical data. For example, as shown in figure 5, various data layers can be combined and analysed in their geographical context: Where do customers live, and how can they be reached? Similar questions can be asked and answered (including by SAIs) for the target groups of government policies.

GIS can be useful for the subsequent stages of an audit: assessing relevant risks, designing the audit, conducting the audit, analyzing audit findings, and communicating audit results.



INTOSAI's Tsunami Task Force used geographical data in a pilot study regarding the auditing of housing projects in Aceh, Indonesia after the Tsunami. GPS-devices and satellite-based maps were used to ascertain whether houses were constructed at the right location (e.g. with enough distance from the sea!!) by linking audit field data and geographical data (fig. 6).

The NCA has established a knowledge centre on the use of GIS in auditing. This centre now is part of our Innovation Lab. As well as focusing on the Court's national activities, the centre will also be part of its portfolio as vice chair of the INTOSAI Working Group on Accountability for and Audit of Disaster-Related Aid, which is chaired by the European Court of Auditors.

3.4. Audits and the public

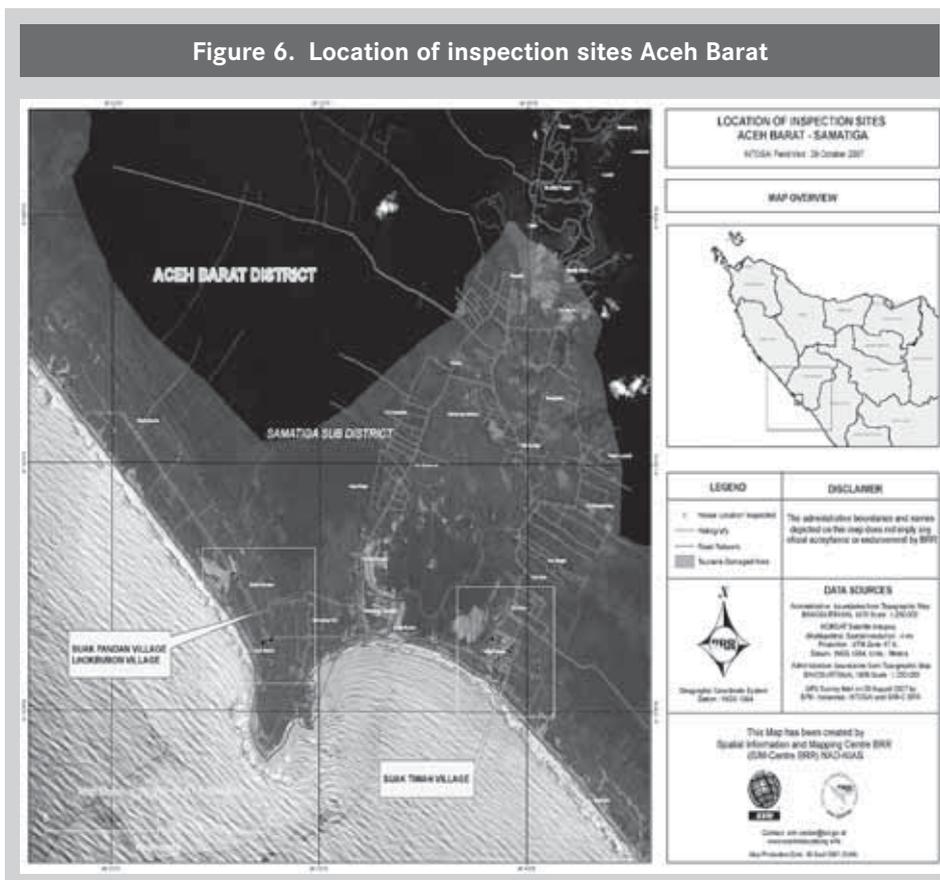
Ever since INCOSAI XIX in Mexico – more specifically since the side event with the United Nations (Department of Economic Affairs UNDESA) and the International Budget Project (IBP) about collaborative practices to increase civil society participation in the audit process - we have been looking for ways to bring audits closer to the public. The focus is on how to get the public involved in our audits as a source, and how to make better use of the public as users of the results of our work.

In the upstream the Lab is currently experimenting with crowdsourcing. It is difficult to explain, but the best example is the Ushahidi website³. Ushahidi focusses on disaster related information directly from the hotspot. So both for an update on Haïti or the Mexican Gulf Oilspree: go to Ushahidi. You immediately understand the enormous potential for auditors.

In the upstream the Lab is currently experimenting with crowdsourcing.



Figure 6. Location of inspection sites Aceh Barat



In the downstream we have held a couple of seminars around the country, hosted by our colleagues from local and regional audit offices. The topic was our audit on the deplorable state of local industrial estates. While almost all local authorities stimulated industrial estates and investments in new office buildings, old office buildings were neglected and fell prey to vandalism etc. So we discussed these outcomes and encouraged our local and regional counterparts to dig into the situation locally. By doing this more systematically within our country (where local and regional audit offices have only existed for 10 years), we are trying to live up to the global INTOSAI motto of ‘mutual experience benefits all’.

CLOSING REMARKS

I hope that this article inspires as many colleagues as possible to raise their innovations - even if they are in an early stage - at our forums, including EUROSAI. Thank you again to the Secretariat of EUROSAI to give me this platform to share our experience. ●

³ www.ushadidi.com

Mutual experience benefits all (from the work experience of the EUROSAI Task Force on the Audit of Funds Allocated to Prevention and Consequences Elimination of Disasters and Catastrophes)

SAI OF UKRAINE

Chair of the Task Force on the Audit of Funds Allocated to Prevention
and Consequences Elimination of Disasters and Catastrophes

It is in the human nature when coming up to milestones in life to review everything done in the past years, to reassess achievements and analyze committed errors and mistakes. In these very periods one realizes one's actual state and plans ahead. And when it comes to an organization's jubilee, its each and every member faces such questions. Answers to them are our points of reference that enable us to move forward along the path of development.

Twenty years of the European Organization of Supreme Audit Institutions activities and eleven years of the Accounting Chamber of Ukraine membership in this Organization provided us with enough facts and records to allow us to recognize an answer to the above raised questions.

Pursuant to Article 1 of the European Organization of Supreme Audit Institutions Statute, the EUROSAI's primary objective is to promote professional co-operation among SAI members, encourage the exchange of information and documentation, advance the study of public sector audit, stimulate the creating of University Professorships in this subject and work towards the harmonisation of terminology in the field of public audit. At the same time, the EUROSAI's guiding principles and particularly its keystone – equality of all the SAI members of this Organization – make it possible for all the Supreme Audit Institutions irrespective of the country or date of establishment to participate as fully-fledged members in sharing knowledge and experience gained and to promote institutional development of organizations.

The EUROSAI is that particular organizational framework within which its members can enjoy the opportunity to find, analyze, accumulate and disseminate cutting-edge knowledge on the basis of efficient communication between them. Accumulation of positive common experience acquired in bilateral and multilateral cooperation and cooperative audits, information openness of the EUROSAI member SAIs, their willingness to share acquirements and best practices when communicating and participating in various events – all this allows to enhance the mutual confidence level within the Organization and provides the framework for successful functioning and evolution of the EUROSAI in the global audit world.

One of the key algorithms of the EUROSAI activities and communication between its members consisting in the setting-up working groups and task forces provides the best opportunities for the experience exchange, new knowledge acquisition, audit-related problem solving methods development. It is application of the work experience of the EUROSAI's working groups and the Accounting Chamber's direct participation in these activities that served as prerequisite for the establishment of the EUROSAI Task Force



on the Audit of Funds Allocated to Prevention and Consequences Elimination of Disasters and Catastrophes chaired by the Ukrainian SAI.

The Task Force activities can be considered as one of the patterns for positive mutual cooperation and experience exchange within the EUROSAI, and as an answer to global economic risks facing our countries as well. As a matter of fact, it is well-known that the humankind lives in the epoch characterized by an ever-growing number of catastrophes that are becoming ever larger by scale and caused losses.

According to the already known today's conclusions of scientists and analysts, in five years the total gross world product (GWP) growth will be allocated to overcoming catastrophe consequences. The above said testifies to the need for uniting efforts and strengthening positions of the Supreme Audit Institutions in this field and substantiates the relevance of the establishment and activity of an appropriate international structure represented by the EUROSAI Task Force on the Audit of Funds Allocated to Prevention and Consequences Elimination of Disasters and Catastrophes.

To organize effective work and achieve the target goals and set tasks, we have used a variety of tools oriented to strengthening cooperation between the Task Force members, speeding-up information dissemination processes, enhancing mutual understanding among them. Such a toolset may include:

- holding joint meetings,
- data collection via questionnaires,
- carrying out joint international audit activities,
- management of audit database in respect of natural and human-caused disasters and catastrophes in Europe,
- preparation of the Glossary of Auditing Terms Related to Prevention and Elimination of Disaster and Catastrophe Consequences for the purpose of enhancing effective communication and mutual understanding amongst SAIs of various countries,
- development of the Guidelines based on best audit practices in the sphere of prevention and elimination of catastrophe consequences,
- use of the web site as a means of organization of interactive information exchange,
- dissemination of the information about the Task Force activities, in particular, via the INTOSAI and EUROSAI prints, etc.

By using the above mentioned tools, by joint efforts we will achieve the target goal:

1. Carrying out research and promoting parallel and coordinated audits.
2. Methodology elaboration and SAI institutional development with regard to the audit of the funds allocated to prevention and elimination of catastrophe consequences.
3. Networking and information sharing among the European SAIs.
4. Cooperation with the INTOSAI and EUROSAI working agencies, as well as with other international organizations.

It is noteworthy that all these tools have been jointly elaborated and tested in the activities of the EUROSAI and its institutional components. The 20-year experience of the EUROSAI activity shows that it is the work algorithm that is the most efficient and effective.

This was also confirmed by the International Coordinated Audit of the Chernobyl Shelter Fund performed in 2007-2008 with participation of 9 Supreme Audit Institutions. The joint audit report was presented and signed by the chiefs of the SAI members at the 7th EUROSAI Congress held in Krakow in June 2008.

Holding joint meetings may be regarded with good reason as the most effective means of promoting communication and experience exchange by way of lively inter-

According to the already known today's conclusions of scientists and analysts, in five years the total gross world product (GWP) growth will be allocated to overcoming catastrophe consequences.

course, addresses by participants, direct participation in discussions of the points in question. Since the Task Force establishment, a series of meetings have been held. Participation of a wide range of representatives of the Supreme Audit Institutions of European countries, the Ministry of Environmental Protection of Ukraine, Ministry of Emergencies and Affairs of Population Protection from the Consequences of Chernobyl Catastrophe of Ukraine, Ministry of Industrial Policy of Ukraine, State Committee for Water Saving of Ukraine, National Academy of Sciences of Ukraine, Academy of Mining Sciences of Ukraine, State Property Fund on Ukraine, UN Development Program and World Bank Regional Office for Ukraine in the meetings provides ample opportunities for the exchange of multilateral viewpoints on prevention and elimination of catastrophe consequences, discussions in the course of which a generally acceptable point of view was generated, and sharing experience, knowledge or practical advice applicable to the above mentioned sphere. All this may be considered as a good school where “pupils” acquire knowledge directly from the professionals which create or participate in creation of that knowledge.

As one of the mechanisms of information acquisition from all the Task Force members, *the information collection via questionnaires* have been carried out. In the course of the 1st meeting we held a survey aimed at evaluation of the most appropriate form of cooperation between the members and the EUROSAI Task Force further activity in the interests of attainment of its strategic goals, particularly, effective information and experience exchange, training and communication.

Within the framework of Strategic Goal 1 of the Task Force *the joint international audit activities* have been carried out and planned for the future. It is worthwhile to note that conducting parallel audits in recent years have been an integral part of international cooperation of the Accounting Chamber of Ukraine. In 2009-2010 our institution took part in the parallel audit of the performance in planning, application and control over the use of budget funds allocated to elimination of emergencies, including man-caused ones (the audit was conducted jointly with the SAI of Kazakhstan), parallel audit in the domain of extraction, transportation and distribution of natural gas (the audit was conducted jointly with the SAI of the Russian Federation), parallel audit of the preparation of Poland and Ukraine for the final tournament of the 14th UEFA European Football Championship, commonly referred to as Euro 2012 (the report of the 1st stage of the audit was signed), coordinated parallel EUROSAI audit on climate change (the audit was conducted jointly with the SAI of Azerbaijan, Denmark, Estonia, Kazakhstan, Cyprus, Israel, Macedonia, Poland, the Russian Federation, Switzerland), parallel audit of the implementation of provisions of the Bucharest Convention on the Protection of the Black Sea against Pollution (the audit was conducted jointly with the SAI of Bulgaria).

At present the international coordinated audit of the protection of the Black Sea against pollution that has been conducted jointly with the SAIs of Russia, Georgia, Bulgaria, Romania and Turkey and the parallel audit of use of the public funds allocated to management, protection, exploration and reproduction of the water biological resources and ensuring ecological safety in the Azov-Black Sea fishery basin conducted by the Accounting Chamber of Ukraine and the Accounts Chamber of the Russian Federation within the framework of activities of the EUROSAI Task Force on the Audit of Funds Allocated to Prevention and Consequences Elimination of Disasters and Catastrophes are at the final stage of completion. At the 2nd meeting of the Task Force the information on the planned control and analytical activities to be carried out within the Task Force, namely the coordinated audit of public funds allocated to prevention and elimination of catastrophe consequences and the audit of implementation of the recommendations of the International Coordinated Audit of the Chernobyl Shelter Fund performed in 2007-2008 has been provided. The Task Force members were invited to participation in the afore-mentioned parallel control activities.

This was also confirmed by the International Coordinated Audit of the Chernobyl Shelter Fund performed in 2007-2008 with participation of 9 Supreme Audit Institutions.



The information provided by the European Supreme Audit Institutions was used as a basis for preparation of *the audit databases* in respect of natural and human-caused disasters and catastrophes in Europe presented at the 2nd meeting of the Task Force. The proposed database was placed on the Task Force web site for further use in practical work by all stakeholders. It is available for further update and enlargement.

For implementation of Strategic Goal 2 the draft *Glossary of Disaster-Related Auditing Terms* has been worked out. Its compilation was necessitated by harmonization of the terms primarily used in the respective international audits. The need for such harmonization has arisen from such factors as particularities of the national legislations applicable to disaster and catastrophe management sphere and these of national audits, as well as certain discrepancy in interpretation of the respective basic terms in different countries, in particular, controversies in the definitions used in the countries of the CIS, Eastern and Western Europe. While choosing the right terms, we took into consideration the suggestions, updates and remarks of the Task Force member SAIs auditors. We are certain that the approved Glossary will be of help for auditors from various countries when conducting both domestic and global-scale audits of the funds allocated to prevention and elimination of catastrophe consequences and raise the effectiveness of communication and mutual understanding among auditors.

The Task Force proceeded to the development of *the Guidelines based on best audit practices in the sphere of prevention and elimination of catastrophe consequences*. The survey among the Task Force members shows that the Supreme Audit Institutions of the European States have already accumulated certain experience in performing disaster-related audits the results of which are in demand of parliaments and governments and arose a keen interest of the mass media and society as a whole. Therefore it is no wonder that there is a long-felt need for development of the methodological procedures for performing the respective audits which, based on best practices, would become a practical guide to audit-related problem solving in the future. In accordance with the survey findings, the primary areas to be highlighted in the forthcoming draft Guidelines have been outlined. The draft structure of the Guidelines was unanimously adopted by the sitters of the 2nd meeting of the Task Force.

Worthy of mention is *the website of the EUROSAT Task Force* on the Audit of Funds Allocated to Prevention and Consequences Elimination of Disasters and Catastrophes available for all those who wish to familiarized themselves with the information on the Task Force, its objectives, activities or meetings held. The Glossary of Disaster-Related Auditing Terms and the Audit Database in respect of Natural and Human-Caused Disasters and Catastrophes in Europe are also available on the website.

In addition to the website, one can find information on the Task Force activities in *the INTOSAI and EUROSAT prints*, in particular, in the EUROSAT Magazine 15 of 2009 where the article dedicated to the Task Force and its projects is published according to the results of the 1st meeting. We will further strive for total and overall transparency in our activities and endeavour to establish new contacts and share information.

The intermediate outcome of the Task Force work, as well as that of the other Working or Task Groups acting under the EUROSAT's aegis, testify to their success and effectiveness. Most actual problems do not concern an individual country, but are of European scale. Therefore they can be resolved only by joint efforts, by using an integrated approach. This is the EUROSAT that makes it possible to unite its member SAIs efforts for successful, efficient and effective work. It was, is and will be the pledge of the EUROSAT's development as an Organization that has a real effect on strengthening the public sector audit in the European region and building the institutional capacities of its members that is a substantiate contribution to the INTOSAT's work. ●

The proposed database was placed on the Task Force web site for further use in practical work by all stakeholders.

Performance Audit on Procurement Capabilities across Government

WILFRED AQUILINA, JOANNA CEFAL
AND BRIAN VELLA

Performance Audit Section. National Audit Office of Malta

It is, therefore, important that appropriate structures and systems are in place to successfully manage the procurement of different types of goods, works and services.

Audits carried out over the years by the National Audit Office of Malta (NAOM) have shown that, in certain instances, procurement systems and processes have not been adequate and needed to be strengthened. This has prompted NAOM to carry out a comprehensive study that examines procurement capabilities and practices applied across the Maltese public administration, as well as to identify areas where there is scope for improvement and adoption of best procurement practices. In this article, the authors outline the approach and criteria that were used to carry out this study and discuss the key issues that were addressed.

Why focus on procurement capability?

Public procurement includes much that supports the work of public administration and plays a central role in delivering all Government priorities, from health and education to regulation and revenue collection. Having in place sound procurement capabilities throughout the public administration helps ensure the continuity of public services and the optimal use of Government's limited resources in a fair and transparent way.

It is, therefore, important that appropriate structures and systems are in place to successfully manage the procurement of different types of goods, works and services. Inefficient procurement methods can result in paying higher prices for goods and services procured at short notice. Moreover, essential items may not be available in the right quantities and of the right quality when required. This can potentially lead to Government operations and service being delayed or being of a sub-standard quality.

The procurement process spans the whole cycle from the identification and specification of a required item or service, to its purchase, delivery, payment for, storage, release and monitoring of supplier performance. It also covers the conclusion of a service contract or the end of the useful life and subsequent disposal of an asset (Figure 1).

Scope and Methodology

The study focused on twelve distinctive elements of procurement capability (Figure 2). A group of twelve entities, selected to reflect different types of organisations within the public administration, were chosen as case studies for the purposes of this exercise.

Prior to the launch of the full study, extensive research was carried out on procurement capabilities and good practices. Consultations were also held with the National Audit Office and the Office of Government Commerce of the United Kingdom and with the Working Group on Public Procurement of the Contact Committee of the Supreme Audit Institutions of the European Union. In addition, good practice visits were organized to three leading local commercial organizations.

In parallel, preliminary pilot meetings were held to test and assess the:

- *feasibility* of the considered exercise;



Figure 1. Typical stages in public procurement

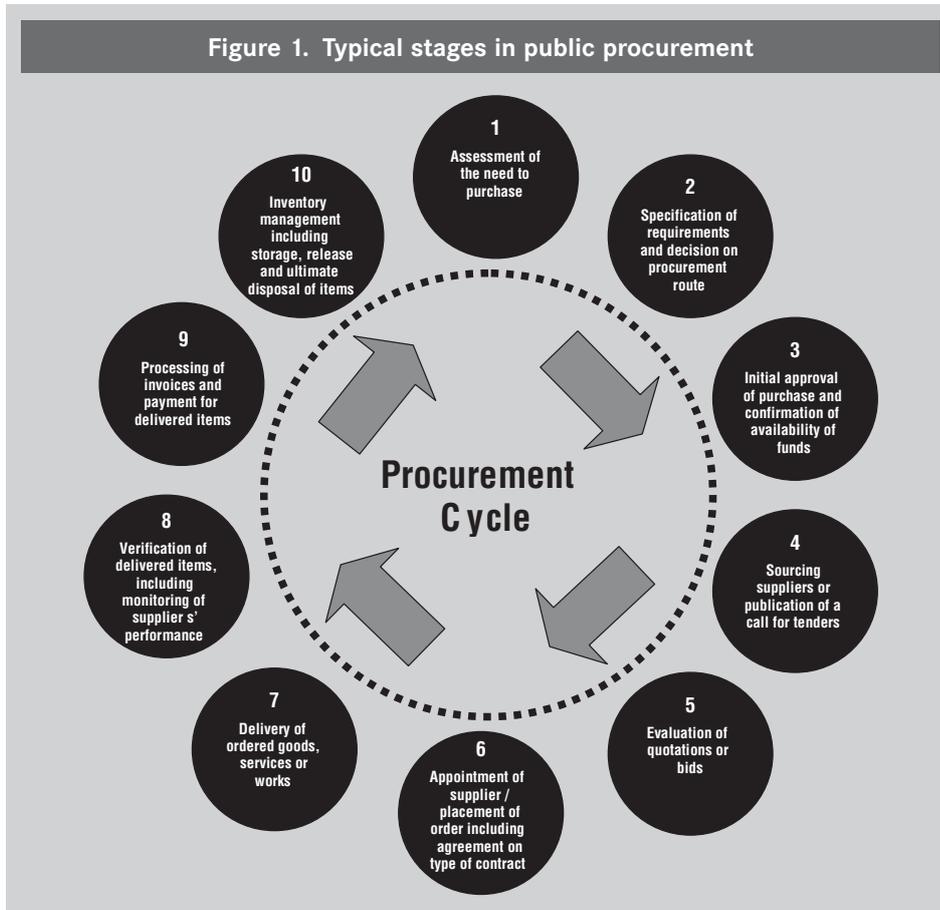


Figure 2. Aspects of public procurement covered by the NAOM study

Structure and Resources	The organization and strategic importance of the procurement function.
	Staff with required knowledge and skills in procurement. Training of staff involved in procurement in this area of expertise.
	Development of policies and procedures to govern procurement. Internal controls to ensure compliance.
	Planning of procurement requirements.
	Technology to enhance and facilitate the procurement function.
Information Management and Monitoring	Stock management system to help keep track of inventories and to set efficient stock order volumes.
	Data on procured items and on levels of consumption to identify where there is potential for cost savings.
	Information on suppliers. Monitoring of suppliers' performance.
	Sharing of information within the public administration.
Continuous Improvement and Development	Initiatives to review and continuously improve procurement activities.
	Management of procurement risks.
	Opportunities for collaborative procurement and framework agreements.

Prior to the launch of the full study, extensive research was carried out on procurement capabilities and good practices.

- *relevance and significance* of the selected audit questions;
- *interviewing techniques* that could be used to successfully carry out this audit;
- *type of information and supporting documentation* that could be potentially collected from the identified case studies;
- *typical challenges faced by the public administration* using current approaches to procurement;
- *the interest of the targeted organizations* to participate in this exercise; and
- *added value* that can be obtained from the full study.

The fieldwork of the main study consisted of structured in-depth interviews with officials directly involved in procurement processes. Supplementary documentary evidence was also collected to enable further evaluation of the reported measures. The NAOM study was limited to identifying the use and prevalence of specific procurement measures and did not test the reliability or soundness of the discussed systems and practices.

Findings from the study

Structure and Resources

The study evaluated the extent to which the management of the procurement function was structured centrally. In cases where the processes were separated along product category lines, by value of purchases or by budget holders, NAOM identified issues related to consistency, efficiency, monitoring and control.

The audit report recommended that decentralization, although not necessarily a bad practice, had to be supported by a coherent set of policies and procedures that are followed by all. Moreover, NAOM recommended that there had to be open communication channels between those responsible for the different areas of procurement as well as frequent sharing of knowledge and information on procurement decisions and activities.

Another key finding of the study was the need for fully resourced procurement teams in each organization. These teams should have sound commercial experience, adequate knowledge, as well as appropriate professional skills. This was found to be essential in order to minimize procurement risks. Such risks include buying requirements not

The fieldwork of the main study consisted of structured in-depth interviews with officials directly involved in procurement processes.



being reliably determined, contract strategies not being well developed, contracts not being properly managed, and opportunities to get the best deals being missed.

The Skills Framework for Procurement Practitioners produced by the Office of the Government Commerce in the United Kingdom was found to be particularly useful during this audit for benchmarking key requirements with what is available in practice in the local scenario. In the audit report, NAOM recommended that the Maltese public administration should aim for year-on-year increases in the proportion of staff trained on procurement through more structured training and professional development programmes.

NAOM also recommended that individual organizations across Government could further strengthen their internal systems and controls through the development and maintenance of internally generated documented standard operating procedures related to the procurement processes. Such measures help to ensure good governance, accountability, transparency, fairness, lawfulness, integrity and value-for-money. Moreover, NAOM also emphasized the importance that these policies and procedures are systematically updated and easily available to all staff who need to access them.

Another key area that was thoroughly examined as part of this study was how organizations across the Maltese public administration were planning for their procurement requirements. Successful practices in the private sector were benchmarked against those reported by the twelve case studies. It was found that although a degree of planning for procurement requirements was being carried out, there was the need for a more strategic approach to be adopted. Systematic planning can help organizations address challenges related to the increasing complexity of public procurement, the effective management of suppliers and supply chains, as well as the need to ensure value-for-money.

The use of electronic methods at each stage of the procurement lifecycle was also assessed. Most organizations were found to apply different forms of electronic tools to support their procurement processes. However, NAOM observed that investment and application of new technology had to be complemented with wide radical changes in business processes and a drive to achieve savings and greater efficiencies.

Information Management and Monitoring

Importance was also given in the NAOM study to the nature and quality of management information available for sound planning, decision-making and monitoring. The NAOM report proposed a number of recommendations on how organizations can improve their market intelligence, information on supplier performance, inventory management systems as well as spend analysis.



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NAOM observed that investment and application of new technology had to be complemented with wide radical changes in business processes and a drive to achieve savings and greater efficiencies.

NAOM encouraged the organizations across Government to increase the level of collaboration and exchange of procurement-related information.

The best practices guide on using spend analysis to take a more strategic approach to procurement published by the Government Accountability Office of the USA in 2004 was used by the audit team to pinpoint areas where organizations across the public administration can strengthen the automation, extraction, organization and analysis of procurement data.

In addition, NAOM encouraged the organizations across Government to increase the level of collaboration and exchange of procurement-related information. Sharing of information generated from management information systems maintained by individual organizations (such as knowledge on the markets, suppliers, prices and buying arrangements) can, for example, help to identify ways of how to reduce costs and lead to opportunities for more competitive buying.

Continuous Improvement and Development

The performance audit also evaluated the measures undertaken by the twelve case studies to review the procurement function, manage risks, improve efficiency and achieve cost savings.

NAOM found that most of the studied organizations carried out *ad hoc* management reviews of procurement activities only in response to negative feedback from user departments or after a problem had been identified.

Some organizations were also found to be monitoring and reviewing, to varying degrees, the procurement of high-risk expenditure items with the aim of controlling costs and achieving savings. However, none reported to be carrying out in-depth, regular and systematic reviews that cover all aspects of procurement.

Furthermore, NAOM recommended ways of how the public administration could systematically monitor, benchmark and evaluate procurement activities and achieve tangible improvements. A thorough review can also be useful to identify priority areas such as a greater focus on risk reduction, innovation, staff training, sustainability and enhanced quality of purchased goods and services. Moreover, NAOM emphasized the importance of leadership and a strong top management drive to continuously identify and exploit opportunities for cost savings and improved efficiencies.

In addition, NAOM highlighted the steps that could be taken by the public administration to ensure effective management of procurement risks as well as good governance. Various risks were identified in the study and the report focused on how adequate arrangements can be put in place to manage and mitigate these risks.

NAOM recommended ways of how the public administration could systematically monitor, benchmark and evaluate procurement activities and achieve tangible improvements.



Another issue raised by the NAOM was the need for more collaborative procurement and framework agreements. Similar goods and services are procured across the public administration. This commonality provides opportunities to purchase collectively, especially where there is high demand for specific goods and services. While there is much that organizations can do on their own, collaborative procurement practices can lead to increased competition, better prices, shared expertise and reduced procurement costs.

Concluding comment

Overall, the NAOM report concluded that most of the participating organizations were taking certain measures to enhance some aspects of their procurement systems and capabilities. However, a more strategic and systematic approach is needed to sufficiently improve and strengthen public procurement across the public administration.

More information on the National Audit Office of Malta and on the performance audit on procurement capabilities can be obtained from the website (www.nao.gov.mt) or by sending an email to nao.malta@gov.mt. ●

Another issue raised by the NAOM was the need for more collaborative procurement and framework agreements.

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