



Organization of the Supreme Audit Institutions in Europe

**SECOND EUROSAI CONGRESS
HELD IN STOCKHOLM**



**THE AUDIT OF PRIVATIZATION
IN EASTERN EUROPE**



**REPORTS AND STUDIES:
PUBLIC HOSPITALS IN AUSTRIA,
THE FIGHT AGAINST CORRUPTION**

The second EUROSAI Congress approved, at the proposal of the Committee of Directors, our annual EUROSAI publication. The Secretariat therefore started asking members for contributions last September so as to not delay the publication of the first edition.

The editorial aim is based on two core ideas: information, our EUROSAI activities and documentation, with articles by authors connected with the Supreme Audit Institutions of the member countries (signed articles which express the opinion of the author).

The Secretariat would like to thank in advance all those readers who have ideas they wish to put forward for the magazine, so that we can design between us all the best possible product.

Adolfo Carretero
Secretary General of EUROSAI

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and will meet again in December 1993.

The congress also elected auditors to serve a three-year term. Turkey was reelected and Portugal was elected to audit the accounts of EUROSAI and to report annually to the Board through 1996. Prague was appointed

the venue of the 1996 Congress and the SAI of Czech Republic was therefore elected vice-president of the new Governing Board.

In his report to the Congress, Secretary General Carretero of Spain emphasized that the organization had in the last three years left the "take-off stage" and had succeeded in reaching

"cruising speed". He emphasized that EUROSAI's expansion as a result of the creation of new supreme audit institutions calls for cooperation, interchange and understanding. He went on to note that the main problem had been the budget for the rapidly growing organization; new members and more activities require an increase in the budget.

Theme I Statement

The first subject selected by the EUROSAI Governing Board meeting at Madrid in 1991 for discussion at the 1993 Stockholm Congress was that of the changing functions of the state and the role of audit with special attention to privatization.

During its discussion session on this subject held on 15 June 1993, the Stockholm Congress took account of the contributions by many members of EUROSAI, leading up to the seminar co-hosted by the Federal Ministry of Control of the then Czech and Slovak Federal Republic and the United Kingdom National Audit Office which was held in Prague in April 1992. The Congress also took account of the outcome of that preparatory seminar, as expressed in the principal paper prepared by the co-hosts, and in the country papers presented in response, together with the theme paper prepared by the rapporteurs for the discussion session of the Congress.

In the discussion session, the Congress noted that the audit of privatization has to take account of different approaches taken in

different member countries. These arise from differences in the economic, social, financial, legal and procedural environments in these countries, and the scale of the privatization process. These differences affect the choices open to governments. Consequently the audit response has to be flexible.

Agreements on audits and privatizations

Having regard to the preparatory work and its discussions, the Congress agrees that:

- i) it is important for the proper audit of the disposal of state owned assets that SAIs should become involved in the privatization process as soon as constitutionally possible, consistent with maintaining their independence; and
- ii) such involvement can extend to offering advice at the planning stage,

while ensuring that SAIs do not thereby limit their ability to comment later on the outcome of the privatization.

The Congress also agrees that:

- iii) further seminars for experts should be held on auditing the privatization process, addressing such issues as the adequacy of the legal system, problems involving the determination of the ownership of the assets, the valuation of the business and its assets, the terms of the sale including whether there was a competitive process and participation in the sale, and the adequacy of internal control mechanisms, having regard to the similarities as well as differences between member countries; and
- iv) it would be valuable for SAIs to exchange lessons and experiences on audit issues arising out of the

...the creation of new SAIs in Europe calls for more cooperation, interchange and understanding.

—Secretary General Carretero

PROGRESS SINCE 1990

In the three years since its inaugural congress in Madrid, EUROSAI has made substantial progress in a number of areas. As early as the summer of 1991 a special publication was published on the results of the Madrid Congress. The same year also saw the publication of the EUROSAI Statutes in the organization's five official languages (English, French, German, Russian and Spanish). Also in 1991, representatives of EUROSAI attended the 36th meeting of the INTOSAI Governing Board to formally present documentation for official recognition as INTOSAI's seventh regional working group.

EUROSAI has been active in providing training for its members. It

i n c r e a s e d commercialization of businesses remaining in state ownership, and on the work of bodies established to regulate the activities of businesses.

As examples of expert meetings, there was a willingness on the part of Poland and Romania to host discussions of interest to those SAIs whose countries are embarking on the privatization process, and the Governing Board was requested to consider how new members who had not been able to participate in the work leading up to the Congress might benefit from that work. The intention of the European Court of Auditors to hold a seminar which would include privatization among its topics was also noted.

joined forces with the INTOSAI Development Initiative (IDI) and the General Secretariat in 1991 to sponsor a seminar in Hungary aimed at newly created SAIs in eastern Europe. The following year, seminars were held in preparation for the Stockholm congress in Prague, where participants discussed the changing functions of the SAI and privatization; in Istanbul, where the topics were achieving results for the audit office, audit priorities, reporting and staff qualifications; and another seminar in Valence, Hungary on auditing the process of privatization.

1992 was also the year of the XIV INCOSAI in Washington, and the first international congress attended by all EUROSAI members since the Inaugural Congress in Madrid.

THEME DISCUSSIONS: PRIVATIZATION

The subject addressed during Theme I was the changing functions of the state and the role of audit with special emphasis on privatization. One

key issue discussed was the timing of SAI involvement in privatization. For example, at what stage should a SAI become involved in the audit of a privatization, and how can the SAI maintain its independence while engaging in such audits?

In some countries, SAIs are expected to offer advice to government throughout the entire privatization process. In other countries, SAIs do not begin to examine privatization until after it has taken place. In a number of countries, SAIs may become involved at intermediate stages, for example after the government has made a decision to carry out a sale but before the sale takes place.

The independence of a SAI is not likely to be at risk when it begins its privatization study after the sale has occurred. However, in this case the SAI is unable to influence the way the sale is conducted. Nevertheless, the SAI will still be able to report to government and parliament on good and poor practices learned from the sale; this information can be applied to future sales.

Theme II Statement

The second theme chosen for discussion at the second EUROSAI Congress was that of achieving for the audit office with special attention to the selection of audit areas of importance, the presentation of the results to the public and the quality of staff.

Discussion at the Congress was based on a paper prepared in the light of a preparatory seminar held in Istanbul in May 1992 and subsequent documentation, including ten

country papers. The preparatory work on this theme was undertaken jointly by the Turkish Court of Accounts and the Court of Auditors of the European Communities.

The breadth of the theme encouraged discussion of some of the most fundamental issues confronting members in their widely differing institutional environments. The contributions of delegates underlined the interdependence of the issues arising, and confirmed the value

When a SAI becomes involved before the sale, it has the opportunity to make a contribution to the sale process. In such circumstances the SAIs may wish to make it clear to the seller that any general and technical advice given does not extend to a blanket endorsement of the precise terms of the sale which will be subsequently negotiated by the seller.

SAIs identified a range of obstacles to carrying out effective audits of privatization. Those obstacles most frequently mentioned as being among the most difficult include:

- The adequacy of the legal system, a particular problem in eastern and central European countries.
- The valuation of the business, a process which requires expert knowledge and experience often not available to the SAI.
- The terms of the sale and the adequacy of internal control mechanisms (the Congress noted that the audit of privatization has taken into account the different approaches taken in different member countries. These arise from differences in the economic, social, financial and legal environments and the scale of the privatization.

In making its recommendations, the Congress agreed that:

- It is important for the proper audit of the disposal of state owned assets that SAIs should become involved in the privatization process as soon as constitutionally possible, consistent with maintaining their independence; and,
- Such involvement can extend to offering advice at the planning

stage, while ensuring that SAIs do not thereby limit their ability to comment later on the outcome of the privatization.

- Further seminars for experts should be held on auditing the privatization process.
- It would be valuable for SAIs to exchange experiences on audit issues arising out of the increased commercialization of state-owned

Our success depends on the active participation of all, and on our will to achieve results.



of the objective adopted by the Congress of promoting the exchange of ideas and experience between SAIs.

SAIs noted that despite variations between SAIs in respect of the criteria they choose for the selection of areas of importance, this choice is governed by the objective of assuring sound financial management and improving performance in the public sector.

All SAIs stressed the importance of independence in the context of selecting priority audit areas. However, SAIs also recognised the importance for achieving results of

demonstrating to their Parliaments and public opinion that their audit work was relevant and of high quality.

The Congress agrees that:

- i) there should be involvement of audit staff in the procedures for selection of audit areas of importance.
- ii) transparency in SAIs' choice of criteria would be beneficial for the external credibility of SAIs and for the motivation of their staff.

Recognising a need for a greater exchange of

information between SAIs on certain issues, Congress decides:

- i) that EUROSAI should examine the experience of different SAIs with a view to compiling the elements of good practice for dialogue with the auditee including safeguards for the independence of SAIs.
- ii) that EUROSAI should gather information from its members with a view to establishing the elements of good practice among audit managers for enhancing the motivation of their staff and thus the quality of the audit work.

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businesses remaining and on the work of bodies established to regulate the activities of these businesses.

THEME DISCUSSIONS: ACHIEVING RESULTS

The second subject discussed by the Congress was that of achieving results for the audit office with special attention to the selection of audit areas of importance, the presentation of the audit to the public, and the quality of staff.

It was noted that while there are significant differences in the criteria used by different SAIs for selecting areas in which to undertake performance audit, there is more convergence in the choice of areas for regularity audit work. Despite these variations among SAIs, this choice is always governed by the objective of assuring sound financial management and improving performance in the public sector.

Delegates further agreed that relations and dialogue with parliament and auditees is important as a method of obtaining acceptance of the SAI's observations and recommendations. Many members expressed a high level of interest in learning more about the varying practices of different EUROSAI members.

In the area of SAI staff, it was noted that staff development is an important way to equip the SAI for its evolving role and to enhance the motivation of staff. The increasing importance of performance audit, the need to adapt to changes, and the associated diversification of audit tasks means that the SAI's need for high quality staff is increasing. In the quest for achievement of results, the motivation of staff is an important tool.

The Congress concluded discussion on this theme by agreeing that:

- Audit staff should be involved in the procedures for selection of audit areas of importance.

- Transparency in SAIs' choice of criteria would be beneficial for the

1. Opening of the Session.
Mr. Mundebo, the Chairman of the Second EUROSAI Congress, opened the session.
2. Election of the Chairman of the Session.
Mr. Carbone was elected Chairman of the Session.
3. Approval of the Rules of Procedure.
The Rules of Procedure were presented and approved.
4. Approval of the selection of Theme Chairpersons and Theme Vice-Chairpersons.
The following selections were approved;
Theme I:
Chairman: Sir John Bourn, United Kingdom.
Vice-Chairman: Mr. Pavel Hussar, Czech Republic.
Theme II:
Chairman: Mr. André Middelhoek, European Communities
Vice-Chairman: Mr. M. Vecdi Gönül, Turkey.
5. Approval of the selection of Theme Rapporteurs.
The following selections were approved:
Theme I:
Mr. James Marshall, United Kingdom and Mr. Vladimir Ezer, Czech Republic.
Theme II:
Mr. Charles John Carey, European Communities and Mr. Necdet Kesmez, Turkey.
6. Secretary General's Report on Activities and Financial Reports.
Mr. Carretero, Secretary General of EUROSAI, presented the organization's first Report on Activities and the Financial Reports relating to the financial years 1991 and 1992.
7. Auditor's Report.
Mr. Koning presented the Auditors' Report concerning the financial statements relating to the financial years 1991 and 1992.
8. Approval of the Report on Activities, the Financial Reports and the Auditor's Report.
The reports were approved.
9. Proposal for revised statutes for EUROSAI.
Mr. Carbone presented the Governing Board's proposal for revision and amendment of Chapter V, Article 10, and Chapter X, Article 20 of the statutes. On the proposal of Dr. Zavelberg, it was decided to postpone the decision. The timing was set for Wednesday 16 June, 13.00 hrs.
10. Other business.
There were no other issues.
11. The Chairman adjourned the Session.
12. Resumption of the Session on Wednesday, June 16, 1993.
The Chairman resumed the Session.
13. Proposal for revised statutes for EUROSAI.
The Governing Board's proposal for revision and amendment of Chapter V, Article 10, and Chapter X, Article 20 of the statutes was brought forward for discussion.
Dr. Zavelberg presented a proposal for amendment of the Governing Board's proposal (Annex 1).
In summarising the discussion, Mr. Carbone noted a considerable convergence on the substance. He confirmed that the editorial discrepancies that existed in the different language versions presented to the Congress, and that had been pointed out by several delegates, will be eliminated.
The Congress unanimously *approved* the amendments to the statutes as proposed by the Governing Board; and also *recommended* to the Governing Board to draft and submit to the next Congress an additional amendment concerning the ordinary composition of the Governing Board and the other modifications presented by the German SAI.
14. No other issues remained, and the Chairman concluded the Session.

external credibility of SAIs and for the motivation of their staff.

More specifically, the Congress decided that:

- EUROSAI should examine the experience of different SAIs with a view to compiling the elements of best practices for dialogue with the auditee,

including safeguards for the independence of SAIs.

- EUROSAI should gather information from its members with a view to establishing the elements of best practices among audit managers for enhancing the motivation of their staff and thus the quality of the audit work.

CONCLUSION

It was clear at the conclusion of the Congress that yet another step forward has been taken toward the goal of promoting cooperation among European SAIs. The Speaker of the Swedish Parliament, Mrs. Ingegerd Troedsson, captured this achievement

Minutes of the Second General Plenary Session

1. Opening of the Session.
Mr. Mundebo, the Chairman of the Second EUROSAI Congress, opened the session.
2. Determination of the country for next ordinary Congress.
On the recommendation of the Governing Board, the Supreme Audit Office of the Czech Republic was determined to host the third ordinary EUROSAI Congress in 1996.
3. Acknowledgement of the 1996 Host.
Mr. Hussar thanked for the confidence and welcomed the delegates to Prague.
4. Election of new Governing Board Members.
The following members were re-elected for the three-year period 1993-1996:
Italy
Hungary
The following new members were elected for the six-year period 1993-1999:
Poland
Netherlands
5. Determination of contribution of members 1993-1996.
Mr. Carretero presented the proposal for new contributions for the period 1993-1996 between the second and third ordinary congresses. Following a remark by Dr. Fiedler, it was agreed to delete Yugoslavia from the list of contributors. The new contributions were determined as proposed with the agreed correction.
6. Budget for the period to the next ordinary Congress.
Mr. Carretero presented the EUROSAI Budget Plan for the three-year period 1994-1996. The proposal was approved.
7. Appointment of two auditors for EUROSAI.
Mr. M. Vecdi Gönül, Turkey, was re-appointed, and Dr. Antonio Sousa Franco, Portugal, was appointed as auditors for EUROSAI for the next period.
8. Official farewell to outgoing Governing Board Members.
Mr. Mundebo thanked the outgoing members Sir John Bourn, United Kingdom, and Mr. Pierre Joxe, France, and at the same time he welcomed them as observers at the Governing Board.
9. Official farewell to outgoing President of EUROSAI.
Mr. Mundebo thanked the outgoing President Mr. Guiseppe Carbone, Italy, and at the same time he welcomed Italy as member of the Governing Board.
10. Other business.
There were no other business.
11. Official closing of the Congress.
Mr. Mundebo officially closed the Congress.

in her opening address at the Congress: "That prominent representatives of the countries of Europe can meet here, in this way, to discuss issues of common interest is proof that we have a European identity. The identity is made stronger by many meetings between individuals and organizations at different levels. In this respect EUROSAI has a significance which is far greater than its purely professional goals."

Mr. Carbone, outgoing President of EUROSAI and President of the Court of Accounts of Italy, added to this sentiment when he pointed out the impressive list of activities which have taken place since 1990, thereby indicating that EUROSAI is achieving demonstrable results in its work. He described these successes by saying, "The tree planted in Madrid

*Those present
thought that the
public audit
function has an
extremely important
role to play
regarding
accountability and
transparency in the
use of government
funds*

has grown, gotten branches, and has born good fruits".

For additional information on the program, contact: Swedish National Audit Bureau, Box 34105, S-100 26 Stockholm, Sweden.

Revised Statutes and Provisional arrangements

Proposal for the Revision of EUROSAI Statutes with respect to the composition of the Governing Board.

Introduction

8 Under the present statutes of EUROSAI only two of the existing seven members of the Governing Board of EUROSAI remain in office after the 1993 Congress, Sweden as President and Spain as Secretariat. The consequence is that there will be a lack of continuity in the corporate experience of the Governing Board and this situation would be repeated every three years.

The Governing Board may wish to take the view that continuity of governance is desirable and specially important in the early years of a newly formed organization such as EUROSAI.

Proposal

The Governing Board may wish to propose to the Congress in Stockholm 1993 a revision to the Statutes to provide for some continuity of Governing Board membership; and to bring the Statutes more into line with those of INTOSAI.

The change would be to allow for the election of two

members of the Governing Board at each Congress.

So that continuity is achieved a transitional provision could be introduced to allow for the term of two of the current elected members to be extended by the 1993 Congress for a further three years and for the Congress to elect two new members.

In addition the Governing Board may also wish to propose a transitional clause which would allow EUROSAI Governing Board members appointed in 1990 and not re-appointed in 1993 to attend Governing Board meetings in the period 1993 to 1996 as observers.

To support efficient co-ordination between INTOSAI

and EUROSAI the Governing Board wishes to propose an additional clause to Article 10 allowing members of the INTOSAI Governing Board who are members of EUROSAI to attend the meeting of the EUROSAI Governing Board as observers.

A proposed amendment to Articles 10 and 20 of the Statutes is attached.

EUROSAI; two of these members will be elected every three years. The members may not be re-elected for the period immediately following their term of office.

In order to ensure a well-balanced representation of all members, every effort should be made to ensure distribution of seats in such a way that:

- * geographic differences in Europe are respected, taking into account the members by right;
- * the main types of audit of public finances adopted by the various Supreme Audit Institutions are actually represented in the Governing Board.

If, at the conclusion of the first round, there are not sufficient candidates with an absolute majority of votes of the members represented at the Congress, a second round will take place, at the conclusion of which the candidates obtaining the highest number of votes will be elected.

The Governing Board nominates a second Vice-President among elected members;

2. The term of office of the Governing Board will begin at the end of each ordinary meeting of the Congress;
3. At least four members of the Governing Board must be present at the meeting to form a quorum;
4. The Governing Board shall meet at least once a year;
5. The Governing Board shall take its decisions by majority

of votes cast. Each member of the Governing Board shall dispose of one vote;

6. The Heads of the Supreme Audit Institutions who are members of the Governing Board of INTOSAI and are members of EUROSAI may be represented at EUROSAI Governing Board meetings as observers.

New Chapter V:

Chapter V: The Governing Board

Article 10

1. The Governing Board shall consist of 7 members, to be determined as follows:

a) Three members by right:

* The Head of the Supreme Audit Institution of the country where the last ordinary session of the Congress was held, who will be President of the Governing Board.

* The Head of the Supreme Audit Institution of the country where the next ordinary session of the Congress is to take place, who will be first Vice-President of the Governing Board.

* The Secretary General of EUROSAI.

b) Four members elected by Congress for a duration of six years from the Heads of other member Supreme Audit Institutions of

New Chapter X: Adoption of the Revised Statutes and Transitional Arrangements

Article 20

1. The revised EUROSAI Statutes shall come into effect immediately after their adoption by the Congress.
2. Notwithstanding the provisions of Article 10, 1 (b), in order to avoid the lack of continuity within the Governing Board, two members shall be elected in 1993 by the Congress for a term of three years from among the present members of the Governing Board.
3. The 1993 Congress and all subsequent Congresses shall elect two members of the Governing Board for a term of six years.
4. The former members not re-elected in 1993 may be represented at EUROSAI Governing Board meeting as observers, until the next ordinary Congress.

Ingemar Mundebo, Auditor General of Sweden

“EUROSAI IS A FORUM FOR THE EXCHANGE OF EXPERIENCES”

Dear friends, honourable delegates and guests at EUROSAI's second congress.

It is a pleasure for me to wish you all welcome to EUROSAI's second congress. I hope that we have some stimulating days together, days filled with constructive work, with the exchange of knowledge and experience, and also with enriching personal contacts. As your host for this congress I hope you also get some opportunities to see at least some parts of the city and the country you are visiting.

It will soon be three years since we met in Madrid for EUROSAI's first congress, to establish EUROSAI as a regional body within INTOSAI. We can look back with pleasure on that first congress, and the good start which EUROSAI received on that occasion. Many of us here today also took part in that congress. We would like to extend our warm thanks to the Spanish Court of Audit for the first congress.

I would like to welcome you all, those of you who were present then and who are now attending your second EUROSAI congress, and particularly those of you who are now attending your first EUROSAI congress. Some of you represent countries which have recently become

members of EUROSAI. I hope you find it valuable and rewarding to take part in EUROSAI's work.

Cooperation within EUROSAI has developed positively over the years which have passed since the first congress. As part of the preparations for this congress we have held two well-attended seminars, and many countries have prepared papers to be presented at this congress. Preparing the congress in this way has given us good prospects of making greater progress in our work here. During the preparations we have also had many opportunities to make deeper personal contacts, to enjoy a deeper exchange of knowledge and experience.

There are considerable similarities in the way the different European audit institutions perform their tasks. There are also differences where organisation and procedures are concerned. It is this which makes the exchange of knowledge and experience so valuable. We all have a great deal to learn from each other. There is no single answer to the questions concerning organisation and procedures. Our countries have different traditions, different laws and systems. We live in a world full of rapid change. We must

therefore develop and renew our organisations and procedures. There is one thing we all have in common: the need to develop our skills, our methods, our ways of working. EUROSAI is and should be a leading forum for the exchange of knowledge and experience, to stimulate and inspire us in our work.

I hope that this congress will be an important element in the development of EUROSAI and of the work of the audit in our countries. The congress has been planned to be, to a very great extent, a working congress. Its outcome is dependent on the active participation of all of us, on our will to achieve results.

However, I also hope that the congress will provide opportunities for us to make deeper personal contacts with each other. These contacts are of decisive importance for the achievement of good results, and for the development of close relations between our audit institutions.

Once again I would like to wish you all a warm welcome to Stockholm and Sweden and to EUROSAI's second congress.

I would now like to call upon the Speaker of the Swedish Parliament, Mrs Ingegerd Troedsson, to officially open the congress.

Ingegerd Troedsson, President of the Swedish Parliament

COOPERATION ON THE BASIS OF PROFESSIONAL NEEDS

Mr. President, Mr Vice-President, Mr Secretary General, honourable delegates, ladies and gentlemen.

It is a pleasure for me as the representative of the Swedish Parliament, Riksdagen, to wish you all welcome to Sweden. I both hope and trust that your days here in Stockholm will be valuable from the professional point of view, but I also hope that you will be given the opportunity to see a little of our capital city and its surroundings.

The countries of Europe are today faced with important choices in many respects; the issues relating to the form and content of European cooperation are of great interest to the citizens of Europe; and here in Sweden there is a debate of great breadth and depth between many interested parties on Sweden's place in Europe. I know that these issues are also of central importance in all the countries you represent. Without going into details I would like to state quite clearly that I regard European cooperations as extremely important in a number of areas. Cooperation can be developed by institutions taking action themselves on the basis of professional needs, as is the case with EUROSAI. Democratic institutions in the countries concerned can learn from each other and support each other's development.

I see with special pleasure that there is a wide range of countries represented here, not just the old democracies of Europe but also those countries in Central and Eastern Europe whose citizens have now regained democracy and are

developing democratic institutions with enthusiasm and determination.

The right of citizens to have insight into and control of government agencies is a fundamental component of a democratic system. Here the public audit function has an extremely important role to play where accountability for and transparency in the use of government funds are concerned. In order to perform this task certain criteria must be present. I shall mention some of them.

Audits shall be performed independently, without any involvement or pressure from those who are dependent on the result of the audits. An effective audit thus requires a state of democracy which actually functions. And a state of democracy which actually functions requires, among other things, an effective and independent audit. Even if the constitution provides a basis for independence this has little value if it is not respected by Parliament and the government.

This is why it is so important that the auditing function is given, and shows itself worthy of, a position of respect. The confidence of the citizens in democratic institutions and in the ability of these institutions to carry out their duties is fundamental for democracy.

Secondly the auditing body must have highly skilled personnel. The assessments made by auditors extend over a very wide spectrum and do not merely concern formal rules. To a great extent they concern giving a wide range of matters careful consideration which

requires a great deal of knowledge and sound judgment. I have understood that EUROSAI can play a significant role where the development of skills is concerned, partly through the exchange of experience which is already taking place today, and also by starting up programmes of bilateral cooperation between the national audit institutions.

Thirdly the audit should be constructive, not merely retrospective, and also provide important impulses which help improve and develop the work of government. As members of the Supreme Audit Institutions in your own countries you have a unique overall picture and knowledge which can provide essential material for the reform work undertaken by your Parliaments and governments. Using this collective knowledge to improve and make the work of the government more effective does not, in my opinion, in any way, contradict the independent position of the audit.

Finally I would like to return to the European concept. That prominent representatives of the countries of Europe can meet here, in this way, to discuss issues of common interest is proof that we have a European identity. This identity is made stronger by the many meetings between individuals and organisations at different levels. In this respect EUROSAI has a significance which is far greater than its purely professional goals.

With these words I declare the second congress of EUROSAI open. I wish you all a successful congress.

THE FRENCH REGIONAL AUDIT OFFICES AND THE FIGHT AGAINST CORRUPTION

This article analyses the experience in the field of the French Regional Audit Offices in their fight against corruption, together with the powers at their disposal to enable them to detect and also to try to prevent corruption at local level.

Pascal Duchadevil
Commissioner of Audit
President of the Regional
Audit Office for Central
France

A real, homogeneous and transverse phenomenon

Corruption is real. It is happening throughout the country, at every level of the economy

Apart from any general discussion of what constitutes corruption, how it should be interpreted or its moral or social effects, by looking at the experience gained from local investigations carried out by the specialist financial courts known as the Regional Audit Offices, we can assess the validity of certain preconceptions. First and foremost, corruption is definitely not a figment of the imagination born out of a few spectacular cases which received

extensive media coverage, although they were not of great significance: the work done at local level by the Audit Offices has demonstrated beyond any doubt that corruption exists and that it is quite widespread, contrary to the popular belief that the French government system has traditionally been relatively free of corrupt practices.

On the contrary, an examination of the cases covered by the Regional Audit Offices more than ten years after they were set up shows that failure in the duty of probity and, more generally, offences resulting from the corruption of local decision-makers are to be found at all levels and in all parts of the country: looking at the most representative cases, we find that the number of offences seems to be proportional to the size of the local economy.

This view may seem pessimistic. Although no region is free from corruption, the efforts being made to seek out and identify corrupt practices are in fact to be reduced, which raises the question of the kind of resources which need to be deployed at this juncture. However, the fact that this phenomenon is so

widespread already points the way to what must be the most effective approach: corruption is not specific to any one type of organization (district authorities, hospitals, public housing offices, etc.) but occurs across the board, at clearly identifiable levels of decision-making: commercial developments within cities, expenditure on communications, public contracts or contracts for public services, property transactions etc. The types of corruption encountered are thus a decisive factor in defining the investigatory duties of the Regional Audit Offices. Their main task is to identify and draw up an exhaustive catalogue of the most common methods by which corruption is perpetrated (hidden profit margins, various methods of concealment, inflated invoices for intangible supplies, cross payments etc) people involved in such corrupt practices. In fact, the type of people involved shows just how pervasive corruption is right across the economic scene: for example, during the course of their investigation, the Regional Offices have found networks of agents operating on a national scale in the

field of local authority finance. Similarly, they have found long-standing links throughout the country between certain firms or sectors and offices and consultancies through which hidden funding is channelled.

A comprehensive approach is essential

At this point, it is important to note two other findings which are also at variance with the generally accepted view. The most recent "affairs" which received a lot of media publicity may have led the public to believe that the most likely targets for corruption are local elected representatives, this being exacerbated by the policy of decentralization. However, this view is quite erroneous, since it may often be more effective for a person bent on corruption to exert his influence at a stage prior to the political decision, usually at the stage where technical matters are involved. For example, it is more difficult to influence a decision to be made by a tender committee than it is to exert pressure on the architect who is preparing the report assessing the bids. Corruption is in fact a single phenomenon, affecting everyone involved, at every stage. To describe some firms which have been involved in corruption as the victims of the system, as has clearly been the case in Italy and occasionally in France as well, is particularly simplistic, since everyone both affects and is affected by the system and is therefore responsible for what happens within it.

Another commonly-held view, which is particularly dangerous because it is often unconscious, is

to see corruption as relative when it occurs at local level, on the pretext that the individual sums involved are much smaller than if it were happening at central government level. This attitude may lead to a relative lack of concern which is already becoming apparent, for example regarding local cartels, since public contracts affected by national cartels generally involve much larger sums. This view is fundamentally wrong. Seeking to distort the established tender procedures in the case of local works worth 5 MF is just as serious and important as active corrupt practices in the case of works worth 100 MF to be carried out at national level. What is important here is the intention, rather than simply the sum of money involved since, in many cases, this only depends on the amount of funding available to the authority in question. If we take this view, there is then no such thing as small or large-scale corruption and corruption can not be assessed on the basis of its constituent parts (who is involved, the type of procedures or the amount of money involved).

Another commonly-held view which we also need to dispel is that there are relative degrees of corruption. Corruption is not more or less acceptable or even justifiable depending on who finally gets the "benefit", whether this is financial or in kind. For example, the question of whether or not there is any personal gain cannot be taken as grounds for legitimizing corruption by default. Local officials who award a contract in blatant disregard of competitive tendering in the belief that this will result in general benefits to the community for which they are responsible ("rights of use" in the case of leases, funding of public investment adjacent to a hypermarket site etc.)

are guilty, usually quite unconsciously, of practising "unacceptable favouritism".

Moreover, this sort of behaviour may appear in the guise of the best of intentions, for example, supporting local employment, an argument frequently put forward as justification for awarding contracts to local firms. However, apart from the fact that the elimination of the competition will have the direct result of increasing local authority expenditure (by at least 20%, according to studies by the authorities specialising in competition), there is no doubt that any benefits which the public may derive from corrupt practices are always outweighed by the benefits to the perpetrator. Anyone prepared to resort to corrupt practices is not likely to enter into any deal if he is not going to get anything out of it and definitely not if he is going to end up losing money.

The powers at the disposal of the Regional Audit Offices

The financial courts do not have the same powers as the criminal courts (e.g. distraints, the right to search, etc.). However, they do have some useful weapons in the fight against corruption: first of all, they may set their own programme of investigations, thus enabling them to take a systematic and exhaustive approach. Additionally, the fact that they are locally based enables them to identify rapidly the principal local channels for corruption: for example, by analysing the tax files of local firms (in particular the forms listing fees paid), each Office is able to identify and keep a close eye on agents

It may often be more effective for a person bent on corruption to exert his influence at a stage prior to the political decision, usually at the stage where technical matters are involved

Corruption is not specific to any one type of organization (district authorities, hospitals, public housing offices) but occurs across the board, at clearly identifiable levels of decision-making: commercial developments within cities, expenditure on communications, public contracts or contracts for public services

likely to engage in practices covered by the criminal law.

Auditors at the Regional Offices also have the same rights to examine and take copies of documents as officers in charge of enquiries at the State Audit Office (Article 87 of the (amended Law of 2 March 1982; Article 5 of the Law of 10 July 1982); with regard to enquiries and investigation of firms, this is described as "the right to examine and take copies of documents which the law grants to officers of financial departments" (Article 9 of the law of 22 July 1967). This right is defined by Articles L-81 to L-96 of the Book of Tax Procedures; it permits tax inspectors to examine and take copies of certain documents at the premises of undertakings for the purpose of using them as a basis for assessment or for a tax inspection. It applies to account books and any ancillary documents, including records of income and expenditure. This right only entitles them to examine accounts or to take copies of documents; however, it is a very effective measure, since it enables tax inspectors to prepare for future tax investigations.

14 Lastly, the right to examine and take copies of document gives the financial courts access to all the

information available to the tax authorities. In addition, the officers of local authorities undergoing an audit are required to supply the Regional Offices with any documents relating to the running of those authorities. Auditors are also released from the obligation to observe professional secrecy. Nor is there any difficulty in obtaining bank statements from credit establishments. Likewise, there are no problems with the relationship with the criminal nature to those courts. Thus, the Regional Offices already have extensive powers of investigation. The recently introduced offence of obstruction has in practice now removed any remaining difficulties.

Taken overall, there are several lessons to be learned from the experience of the Regional Audit Offices in the fight against corruption. Firstly, the powers at their disposal enable them to carry out regular and exhaustive investigations, based on their extensive rights to examine documents and their in-depth knowledge of local affairs. The fact that they are locally based within the area where they are responsible for investigating corrupt practices

also helps them to coordinate their work with the other authorities involved: criminal courts, tax or competition authorities, the prefectural authorities responsible for monitoring the legality of action by local authorities etc. Lastly, this local base gives them an insight into the extent to which elected representatives and technical officers are frequently ignorant of the fact that some of their procedures or actions may be classed as criminal: for example, procurement officers are rarely aware that, when they are trying in all good faith and entirely objectively to give an advantage to certain firms for purely local reasons, they are in fact dangerously close to granting special favours to that firm, which constitutes an offence. Because this happens fairly often, the Regional Offices endeavour to deal with corruption not simply through public exposure by means of written reports or by referring cases of known corruption to the criminal courts: in this area, prevention should also go hand-in-hand with education, since this is in no way incompatible with a long-term investigation programme, which may if necessary result in criminal penalties.

Fight against corruption is one of the main tasks for SAIS

THE ROLE OF THE ITALIAN COURT OF ACCOUNTS IN THE PRIVATIZATION PROCESS OF THE STATE HOLDINGS AND PUBLIC CORPORATIONS

Carlo Constanza

International Director and Member of the board of the Corte dei Conti

According to article 12 of Law n. 259/1958 implementing article 100 of the Italian Constitution on the audit of the bodies subsidized by the State - public holding companies and corporations are submitted to the external audit of the Court of Accounts, responsible for reporting to Parliament on a yearly basis.

In July 1992, the Government approved a decree-law, endorsed by Parliament a month later, which provided for the immediate transformation of the legal status of four State bodies from public corporations into companies ruled by civilian entirely owned by Treasury: ENEL, the electricity board; ENI, the national petrochemical holding company; INA, the State insurance corporation; IRI, the holding company of the largest industrial and banking public conglomerate, which totals about

500 companies. Furthermore, the Minister of the Treasury was entrusted with the drafting of a privatization programme concerning the four above-mentioned holdings and companies under their control. In fact the shares are owned, for the time being, by the Treasury but the transformation into private companies, is the necessary premise for a future quotation on the stock exchange and for their domestic and foreign investors.

As a result of the transformation of public bodies into private companies, the Government interpreted the legal situation to the effect that the new companies were no longer submitted to the audit of the Court, although the law concerning the privatizations did not envisage anything on the matter. Therefore, the companies were instructed to interrupt the forwarding of the financial statements and relevant documentation to the Court and the Court delegates were no more invited to attend the sessions of their executive councils.

In September 1992 the Court issued a decision stating that "the interruption of the external audit on the companies established further to

the transformation of the already-existing public bodies represents an infringement of the regulations in force". Consequently, the Court stated that necessary measures would have to be taken by the Government in order to submit the newly established companies to audit.

In December 1992, lacking any Government initiative, the Court raised an issue of conflict of powers with the Government before the Constitutional Court, demanding that the submission of the subsidized companies - for the time being entirely owned by Treasury - to its audit were confirmed.

On the issues raised by the Court of Accounts the Constitutional Court has recently decided, in December 1993, that, as long as the totality or the majority of the shares are owned by the State, the constitutional principle concerning the external audit responsibility must be safeguarded.

The Constitution (article 100), in fact, does not make a distinction to this effect between public or private bodies. Furthermore, as the sentence underlines, there is a relevant interest of the Parliament to receive the independent reports of the external Audit Institution during the privatization process.

EFFECTIVENESS AUDITING IN THE NETHERLANDS:

HISTORY, CHARTER AND CASE STUDIES

Frans L. Leeuw

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Respectively: Deputy
General-Secretary and
Member of the Board of the
Algemene Rekenkamer (the
Netherlands Court of Audit).

Introduction and questions

16 Since June 1993 the Algemene Rekenkamer (Netherlands Court of Audit) serves as one of the youngest Members of the EUROSAI Governing Board. The Court conducts regularity audits and value for money audits. Contrary to several other European Supreme Audit Institutions one of the constitutional tasks of the Algemene Rekenkamer is also the auditing of the efficiency and/or effectiveness of public policy and public spending. This task has been the Court's since 1927, when the (first) Budget and Accounting Act (abbreviated to BAA) became operative. It was not

until the years after the Second World War that this auditing task was taken up effectively. At that time the focus of attention was on efficiency problems of management and organization of the public service. The auditing of the effectiveness of implemented policies, in other words: the extent to which the legislator's goals (in relevant sectors of society) are reached, is of a later date.

Mandate and organization

The Algemene Rekenkamer is an independent body and not subject to political supervision. Its constitutional task is the auditing of receipts and expenditures of the national government. The Court's structure, duties and competences are set out in specific acts. According to the Constitution additional tasks can only be imposed on the Court by law.

With regard to national government, the Court, which consists of a staff of 320 employees and is led by a

Board of three persons (President and two members), is authorised to visit government offices and ministerial agencies to check cash and stock and to audit accounts, vouchers, documentary records and files. Since 1989 the Algemene Rekenkamer also has the legal competence/authority to audit policies, expenditure and organizations with regard to social security as well as (profit-) organizations with a structural financial relationship with central government.

The members of the auditing staff have university degrees or similar qualifications in such fields as accountancy, management science, sociology, political science, economics, history, law, statistics, psychology and EDP.

Auditing efficiency and effectiveness: some historical developments

The 1976 Budget and Accounting Act (BAA) included the following statement on auditing efficiency and effectiveness: 'The Algemene Rekenkamer pays attention to the efficiency and effectiveness of government management and of the organisation and performance of the public service.'

When reading this text one can only conclude that the formulation was fairly general, if not vague. First, there is no indication as to what is meant by efficiency and effectiveness.

Secondly, the term used is not 'policy' but the vaguer 'performance of the public service'. Underlying this choice of words was the fact that the Algemene Rekenkamer should be prevented to have (or receive) the authority to evaluate the policy goals themselves.

Thirdly the phrase 'pays attention to' is also relatively general. The explanation for this is that the legislator did not intend the Court of Audit to carry out the integral supervision of the efficiency and/or effectiveness of public policies, but especially wanted to prompt the Court of Audit to check whether central government departments themselves paid sufficient attention to effectiveness and/or efficiency.

The fact that the formulations were the way they were, is a result of the fact that in this way the Court of Audit was given ample opportunity to give effectiveness auditing a 'personal' interpretation. Publications by Court of Audit (-

members) published in the seventies and eighties show the interpretations given to the terms and phrases of the texts of the laws.

The present text and explanatory statement about the charter of effectiveness and efficiency auditing of the Court of Audit, as expressed in the 1992 amendment of the Budget and Accounting Act (BAA), demands far less explanation of concepts. The following quotations will illustrate this.

First of all there is the text of article 57, first clause. The text reads as follows: 'The Algemene Rekenkamer pays attention to the effectiveness and efficiency of government management, organization and policy.'

Although the expression 'pays attention to' has remained the same, the following specifications have been added. 'The auditing of effectiveness and efficiency includes:

- a) auditing the effectiveness and efficiency of management, which includes all possible aspects of the internal management at (departments of) the public service;
- b) auditing the effectiveness and efficiency of the organization; and
- c) auditing the effectiveness and efficiency of the policy (implemented).'

The limitation having been specified that the Court of Audit refrains from evaluating policy goals,

effectiveness auditing is further defined as auditing which centers on the extent of goal achievement, the effects and/or effectiveness of the policy, as well as the efficiency of its implementation.

The distinction between goal achievement and effectiveness is important, because not every goal achievement can be considered the result of the implemented policy. The distinction, which on the face of it may be thought subtle is practically of considerable importance in programming effectiveness auditing.

The same is true for the distinction between implementation and effectiveness of policy, which has been made in the explanatory statement to the Budget and Accounting Act (BAA).

In view of its far-reaching audit possibilities, the Algemene Rekenkamer cannot be satisfied with describing, analysing and evaluating the implementation process, but it will have to extend the course of process (or implementation) evaluation to actual effect evaluations in society.

Secondly, an answer is given to the question at which points in time the Court of Audit is expected to audit the effectiveness and efficiency of policy, management and organisational structures.

In the Memory in Reply concerning the amendment of the Budget and

The Court of Audit refrains from evaluating policy goals, effectiveness auditing is further defined as auditing which centers on the extent of goal achievement, the effects and/or effectiveness of the policy, as well as the efficiency of its implementation

Accounting Act (BAA) the following is said on the subject.

'The current situation is such that the effectiveness of policy is considered auditable as soon as the government or a minister has taken the decision, whether or not after having consulted with or after approval of Parliament. Before the policy itself has been implemented, an analysis of objectives can then also be carried out, as well as an audit of the effectiveness of policy-preparatory activities.'

The new charter for auditing efficiency and effectiveness: a case of codification of the auditing practice developed by the Algemene Rekenkamer?

The question arises to what extent the specifications outlined above are a result of the auditing practice of the Algemene Rekenkamer grown in the nineteen eighties and as such are mainly codifications. The answer to that question is affirmative and the argumentation is as follows.

In the first place, the article on effectiveness auditing of the 1976 Budget and Accounting Act (BAA) has been described (in the literature) as an 'experimental article', with a view of giving the Court of Audit room to develop the auditing tradition considered desirable.

Secondly, several effectiveness audits carried out over the last five to ten years, make clear that the recent amendment of (particularly) the explanatory statements of the text of the law elaborates on that theme. We mention the following aspects.

— Not only the efficiency of government management is looked at, but ample attention is also given to the effectiveness question. This is

shown among other things in the audit which systematically deal with three important policy instruments, namely subsidies, inspectorates and legislation and government information. The distinction known in the policy sciences between the 'stick' (legislation/inspection), 'carrot' (subsidies) and 'sermon' (information/information transfer) ties in with this.

— In addition the Court of Audit has carried out various on-site effectiveness audits. For example it was investigated to which extent the implementation of a subsidy

scheme for housing improvement did indeed have the intended effects. The idea behind this subsidy policy was that, by eliminating structural and internal shortcomings, the improved housing would be available for a reasonable length of time. One of the conclusions of the investigation was that this objective had not been fully achieved. The Algemene Rekenkamer also felt that it was unclear whether the improvement policy was targeted at the sections of the housing stock which were most in need of improvement. It commissioned an engineering agency to conduct on-site tests to

Seat of the Algemene Rekenkamer



Since 1989 the Algemene Rekenkamer also has the legal competence/authority to audit policies, expenditure and organizations with regard to social security as well as (profit) organizations with a structural financial relationship with central government

determine the extent to which maintenance and improvement work with regard to some 1500 houses was being carried out according to plan. Also, records were examined and interviews conducted in order to assess the monitoring policy of the ministry responsible.

A second example concerns cutter fishery, a type of fishing carried out mainly to catch sole in the North sea.

A number of years ago when there was a serious threat of overfishing in the North Sea and plenty of new vessels were being built, fishermen were granted large tax deductions for the disposal of old vessels. A special fund aimed to reduce the size of the fleet. At the same time, a new Investment Account Act continued to encourage the building of new vessels by providing subsidies. The investigation brought to light the extent to which different central government objectives can conflict with each other.

— Furthermore, a number of audits has been published over the past few years in which the Court of Audit reconstructed decision making processes: who decide what with which powers on which posts, why and how adequately?

— A few years ago the Algemene Rekenkamer started with carrying out audits while policy measures were still in the process of implementation. To illustrate, we will discuss an analysis of the policy aimed at providing day care for children. This subsidy scheme became operative at the end of 1989 and (experimentally) runs till the end of 1993 (yearly NLG 300 million). Yet, already in September 1991, the Court of Audit reported on a study, in which the budgets available for the realization of the goals of the measure, were criticised and tied in with the intended goals. Moreover, the assumed relation between goals and instrument were studied and statements were made on the (final) evaluation of the measure intended by the Minister of Welfare, Health and Cultural Affairs.

Finally, there is a third reason for codification. In view of the independent position of the Algemene Rekenkamer, it would not have been in accordance with the constitutional system if the legislator would have prescribed contents, methods and techniques to be used in carrying out the 'effectiveness auditing program'.

Some future perspectives on effectiveness auditing

Because of the fact that in the Netherlands departmental evaluation infrastructure has only been developed to a rather limited degree, one of the main tasks of the Court of Audit will remain in the field of meta audits. An important development is that the amended Budget and Accounting Act (BAA) as of 1992 also has consequences for the ministries as well. With reference to the findings of the Court of Audit based on its government-wide audit of the nature, extent and use of evaluation studies at the civil service, article 17 of the Budget and Accounting Act has received an important addition. This article regulates the responsibility of ministries/department heads for the correctness of their financial management. The addition is as follows: 'Our ministers also bear the responsibility for periodically auditing the effectiveness of the management, of the organization and of the policy that underlies the budget of the ministry involved'.

It should be stressed that the attention the Algemene Rekenkamer will continue to pay to meta-auditing does not impede the attention that will continue to be given to on-site effectiveness audits.

A third development concerns the role played by decentralization and privatization. More and more governmental activities will be

carried out by decentralized bodies ('non-governmental organizations', NGO's), agencies and by firms. To a large extent, the Algemene Rekenkamer can evaluate both the activities of these organizations themselves as well as their organizational structure. A necessary condition is that these organizations either carry out laws and/or are financially related to the national budget.

After a decade of auditing practice regarding effectiveness the Algemene Rekenkamer received a solid legal basis for these kind of audits. In our view such a codification is very important both for the future development of the Court's own effectiveness audits and the effectiveness audits conducted by the ministries.

THE NATIONAL AUDIT OFFICE'S ANNUAL REPORT

For 1992 the report showed record levels of savings from the National Audit Office's mark. The office continue to provide good value themselves; they saved the taxpayer £ 238 million - more than six times the cost of running the office.

Each year since 1989 the National Audit Office has published an annual report. These annual reports have reviewed the Office's achievements; explained what we do and how we do it; and what the results have been. It shows how we ourselves seek to provide good value for money in using the resources allocated to us.

The 1993 Annual Report issued on 15 October 1993 caused a massive amount of media interest in the United Kingdom. For the first time the report was the subject of major features on BBC television and radio. Breakfast television illustrated the savings our work had achieved over the last twelve months with a series of elaborate computer graphics. While the Today radio programme included an interview with Sir John Bourn as part of their work at the Office. It was also the subject of several newspaper articles.

For 1992 the report showed record levels of savings from the

National Audit Office's work. The Office continue to provide good value themselves; they saved the taxpayer £238 million - more than six times the cost of running the Office, and up from £200 million in 1991. The report also showed that the National Audit Office have consistently delivered more outputs while reducing their costs. These efficiencies have been achieved through a highly committed and professional staff; setting challenging targets through a system of strategic, job and cash planning; improved management information, through information technology, which allows management to monitor and control the amount, cost and timing of work on a job by job basis; refining the approach and methods, and increased use of computers in audits and administrative work; improving resource planning; and ensuring that quality is maintained through programmes of quality control reviews for financial and value for money (performance) audit work.

(*) An earlier and expanded version of this paper was presented at the International Symposium "Auditing effectiveness in a Changing environment - strategic issues and choices for the legislative Auditor", organised by the Canadian Comprehensive Auditing Foundation and the office of the Auditor General of Canada, Queen Elizabeth Hotel, Montreal, Canada, November 15 and 16, 1991.

Previous reports have focussed on the Department of Environment, the audit of information technology, the audit of human resources and the audit of estate management

This year's report dealt with fundamental changes taking place in the United Kingdom's public sector such as the creation of Executive Agencies, the Citizen's Charter and the development of market testing and contracting out public services. The National Audit Office's work confirmed that many public sector managers are meeting these new challenges, but noted four areas of concern in bringing private sector methods to public services and drew attention to the need for:

- clear lines of responsibility of accountability: at the Welsh Development Agency redundancy payment and car leasing arrangements were made without the approval of the Welsh Office;
- high standards in financial monitoring and control: the management of large contracts in

two Regional Health Authorities was flawed, and consultancy contracts were issued and terminated at considerable cost;

- avoidance of conflict of interest: a member of a Regional Health Authority was connected with a company tendering for computer equipment; and

- the proper application of financial propriety: the Ministry of Defence made irregular payments totalling £1.2 million under an efficiency incentive awards scheme.

The National Audit Office's annual reports also highlight the work the Office has done in one or two major areas of the United Kingdom public sector. Previous reports have focussed on the Department of Environment, the

audit of information technology, the audit of human resources and the audit of estate management. This year the spotlight fell on the audit of the Ministry of Defence and the audit of quality of services to the public.

Last, but by no means least, the annual report demonstrates that the National Audit Office has to live by the same standards they expect other departments to follow. The annual report includes our statutory account for 1992-93, with explanatory notes which go beyond the standard requirements, audited by Clark Whitehill, an independent firm of Chartered Accountants.

Copies of the National Audit Office's are available from: The Information Centre, National Audit Office, Buckingham Palace Road, London SW1W 9SP.

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THE INSPECTION OF PUBLIC HOSPITALS BY THE AUDIT OFFICE

In Austria, public hospitals with costs of about 90 billion schillings in volume are subject to budgetary control by the Audit Office.

The following notes provide a general survey of the most important audit areas. A number of important indices, as used in the auditing process, are put forward in respect of staff because of the high level of costs involved here.

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Auditing of Hospitals

1. Planning of hospitals

The foundations for economic management are laid down as early as the planning stage of hospital building. In this respect, it is necessary to examine to what extent measures have been put in place to keep down investment costs while at the same time taking into account the lowest possible indirect costs. Consequently, the following central auditing elements are concerned in public financial control:

1.1 Decision as to new building or renovation of an old building

As a guideline for examining decisions of this kind, expenditure up to 75% of the costs of a new building may be regarded as justifiable for the renovation of an old building.

The decision between a new building or the renovation of an old building should be based on a cost-benefit account, which should also take into consideration the problems concerned with optimum working.

1.2 Examination of the building organization

Cost-benefit consideration of whether the public authority itself should undertake the building or

whether a builder and/or a general contractor should be instructed to carry out the work. Weighing the advantages of a contractual obligation of an outside contractor, liable to penalty, who would have to bear the full risk of a building against the danger that this would place too great a financial and economic burden on the general contractor.

Building in stages and/or in a construction phase.

1.3 Examination of the regional and operational programme

Was the regional and operational programme prepared on the basis of a target plan and does it correspond to the size of the building and therefore the calculated demand?

Examination of the extent to which the financial outline conditions as well as the national and/or international standard values were adhered to when the regional and operational programme was drawn up. The target plan should contain standard values for the size of the hospital, net usable floor space, number of beds, technical medical equipment for each stage of care and other equipment in order to ensure graduated care capacities.

Examination of the extent to which the operators and users were involved in drawing up the regional and operational programme.

1.4 Examination of the organization of the establishment

As early as the rough planning stage, all aspects of economic efficiency should be exhausted in order to guarantee that all facilities are utilised as fully as possible and also that the working of the establishment is as economical as possible (multiple use of rooms, equipment pool).

Decisions relating to the organization of the establishment should be optimised by means of a cost-benefit analysis on the basis of its indirect costs.

In the case of decisions concerning centralised facilities, travelling costs for example should also be taken into account and/or examined to determine whether staff savings can be achieved.

1.5 Examination of the building process

Compliance with standard regulations.

Compliance with official conditions, building standards, etc.

Adherence to the planned timetable and costs.

Quality audit / building inspection approvals.

1.6 Examination of the building account

Audit of accounts and coordination.

2. Operation of a hospital

It is a feature of an audit of the operation of a hospital that target values, with which the actual values are to be compared, often have to be worked out first of all and accepted by the audited hospital and its institutions, as the target values used as a basis for assessing economic efficiency are constantly subject to change - as a result of continually changing circumstances. Therefore, for effective control it is necessary for methods to change constantly.

A number of comments on this point:

Financial and cost accounting, statistics, operational reporting and other aids, such as for example minutes of proceeding, demand accounting and finally case histories provide the basis for every hospital audit.

As the target is not adequately defined, auditing of economic efficiency is based mainly on cost comparisons.

The following are suitable:

- a. comparison of one and the same establishment over a period of time;
- b. comparisons within the establishment and between establishments;
- c. comparison of performance.

With regard to a). In a comparison over a period of time, the figures for one accounting period are placed in relation to the corresponding values for the previous year or even for earlier years, and this highlights the changes. First of all, the absolute figures should be compared, and the changes and the reasons for them should be dealt with. The

reasons for a change are always decisive. Thus, for example, the number of beds or the rate of use might have increased or fallen. As a result of this, expenditure and revenue would rise and/or expenditure would rise and revenue fall.

Changes in variable costs should be examined in detail. These may be a case of economic inefficiencies, unwarranted additional consumption, poor purchasing practices and such like. Fixed costs should be investigated with a view to possible reductions.

The cost accounts kept by public hospitals can be used as aids in comparisons over a period of time.

With regard to b) and c). In addition to comparisons over a period of time, an assessment of the operation of a hospital must involve a comparison with the values for other establishments. Where there is a fairly large number of largely comparable hospital establishments, useful average comparable values can be obtained under the law of large numbers. Hospitals involved in the comparison must match to a very large degree not only in terms of their objectives, but also in terms of the number of beds and the structure of the medical areas.

Here, varying degrees of utilisation, different lengths of stay and different therapeutic methods have to be taken into account as disruptive factors. These disruptive factors should be eliminated as far as possible. The biggest problem in comparisons between establishments is the varying efficiency of the individual institutions. Up to now there have been no generally accepted rules for evaluating efficiency. Estimates are available for individual medical peak performances. Even if the specialist departments of the various hospitals are structured in the same way, the treatment structures differ extensively. This has a great influence on the doctors' skills,

medical service, the time spent on care, the medical requirements, the apparatus and equipment and other things.

In an assessment of the financial management of a hospital, it is also possible to take into account indices with which it is possible to make equally valuable comparisons. Very often, indices are established for the degree of utilisation and length of stay, for staff, out-patients' departments, workshops, kitchens, laundry and such like. The source for these is the operating statistics.

The extent to which the individual departments of a hospital are utilised provides an important indication of the financial management of a hospital. The fewer patients in a department, the lower its economic efficiency, as the proportion of fixed costs (= staff costs) is very high (80%). With low levels of utilisation, the ratio of fixed costs to variable costs deteriorates, and revenue falls. The logical consequence would be a reduction in the number of beds available, i.e. closure of entire wards, departments or whole hospitals. The length of

stay falls permanently as a result of improved treatment methods or facilities, but also as a result of many tests or follow-up treatments being undertaken on an out-patient basis. However, the costs per day of care rise as a result of greater diagnostic and therapeutic intervention. However welcome this trend is for overall economic reasons, from the operational point of view it leads to unpleasant results for the legal entity. This is because of the financial system currently in use, in which payment is for the number of days of care rather than the case of illness.

Determining staffing requirements

1. Doctor service (department administering beds)

A relatively high proportion of the doctor service is provided in connection with the admission as well as the operation on and/or diagnosis of a patient irrespective of the length of the hospital stay (case-fixed times). Thereafter, in a large number of cases, doctors take action only in the context of visits or in the form of general consultations. A calculation formula to determine staffing requirements must make allowance for this fact, because otherwise the staffing requirements would be too low for departments with short stays and too high for departments with long stays. On the basis of these considerations, the following case-fixed and variable times can be used as outline times:

Fixed times (values in minutes, in relation to the case)

Internal medicine	Surgery	Gynaecology	Obstetrics
135 min.	180 min.	155 min.	120 min.

Variable times (values in minutes, in relation to the day and the patient, converted to 7 days/week)

Internal medicine	Surgery	Gynaecology	Obstetrics
11 min.	10 min.	10 min.	8 min.

The reference figure for staffing requirements for the total number of doctors (senior consultants, consultants, junior doctors) can therefore be calculated in accordance with the following formula:

Average number of beds per doctor =

$$\frac{\text{Annual working time in minutes} \times \text{average care}}{\text{Time spent per case} \times 365}$$

REFERENCE FIGURES FOR THE HOSPITAL SERVICE

General medical care:

- a) 1:3.27 Beds in the case of centralised nursing services.
- b) 1:2.95 in the case of non-centralised nursing services.

Medical care for children:

- a) 1:2.55 Departments for sick babies and children in the case of centralised nursing services,
1:2.23 in the case of non-centralised nursing services.
- b) 1:1.67 Departments for premature babies in the case of centralised nursing services,
1:1.55 in the case of non-centralised nursing services.
- c) 1:3.32 Neonatal departments (healthy babies).

A special point of emphasis is the auditing of staff costs, as these make up on average 70% of the total costs of a hospital. The audit must take in an examination of staffing requirements and any other rationalization measures. In order to assess the economic efficiency of staff input, it is necessary to examine the structural and development organisation as well as the basic principles which were decisive for staff complements. Analyses into economical working methods have proved their worth for information concerning the full

utilisation of staff. In part, staff statistics also provide valuable indications of the necessary and appropriate staff complement (medical sector), if they are broken down sufficiently.

Furthermore, payment for additional services, night duties and on-call duties are of concern in the auditing of staff costs in particular. The question of how far these payments are justified and/or necessary to the current extent leads directly to concern with the duty rosters of the individual groups of staff.

There is one area still to be mentioned, which should not be ignored, and that is purchasing and inventory management. Here, continuous observation of the market and optimum supply terms would be advisable. Particular attention should also be paid to long-term supply contracts (purchases of energy).

All considerations of the economic efficiency of hospitals should not overlook the enormous number of counter-productive external influences, which have their roots in laws and regulations

Night duty

- 1: a) 32 adult beds
- b) 19 beds for children and (sick) babies
- c) 10 beds for premature babies
- d) 23 beds for healthy babies

Intensive care

- a) 1 nurse: 0.41 to 0.55 intensive-care beds
- b) 1 nurse: 0.86 to 1.67 beds for intensive monitoring

Job calculation for operational areas:

Job calculation in the operating theatre:

Staffing requirements =

$$\frac{\text{Jobs} \times \text{number of staff (5 days} \times \text{8 hours)}}{\text{Working time}}$$

Example in surgical operating theatre + out-patients

—	weekdays: 4 AP × 2 (5 × 8) =	8 PP
—	night duty: 1 AP × 2 (5 × 9) =	2.25 PP
—	weekends: 1 AP × 2 (2 × 13.5) =	1.35 PP
		11.60 PP
	15% absence	1.74
		13.34 PP

Out-Patients:

$$\frac{1 \text{ AP} \times 2 \times (8.5)}{40} = 2 \text{ PP}$$

+ 15% 0.3
2.3 PP

PP = nurse
AP = job

As to whether the audit results can be translated into practice, the proverb "Constant dripping wears away the stone" should be borne in mind. The reward for persistence is ultimately to be found in the measures for an efficient, economical and appropriate hospital management.

Report made at INTOSAI'S XIV Congress in Washington

SPEECH BY THE CHAIRMAN OF THE EUROPEAN ORGANISATION OF SUPREME AUDIT INSTITUTIONS (EUROSAI)

Complete text of the intervention by Mr. Giuseppe Carbone, Chairman of EUROSAI up to the Second Congress held in Stockholm in June 1993, and since then member of the Governing Board.

Dear Colleagues, Ladies and Gentlemen,

1. It is an honour for me to speak to this prestigious gathering in my role as chairman of EUROSAI, the newest of our regional organisations.

My presence on this platform provides proof once more - if proof were needed - of the usefulness and importance of our Congress, and the deep mutual respect which brings us together every three years, to share our traditions and our cultures and to

reaffirm that dialogue frequently opens up new and unexpected horizons.

In saying this. I have in mind our thirteenth INTOSAI Congress in Berlin, where, as representatives of the European SAIs, we set in motion a vehicle which had been started up long ago, seizing a favourable opportunity at last to place our regional organisation on the starting line.

The commitment that we made on that occasion, to establish EUROSAI, was given the name of the "Berlin Declaration", to pay homage to the city which played host to the Congress and also to bear witness to our gratitude to Mr Zavelberg, the brilliant craftsman of the final agreement.

Serious, intense and constructive initiatives followed on from this solemn name, motivated additionally by the new social and political climate established in Europe, which all of us, chairmen of the SAIs, non-political representatives of the European peoples, are proud to have anticipated and advocated.

We do not thereby claim to play a role, even a secondary role, in the history of Europe, but it is true that with the Berlin Declaration, subsequently given final sanction by the Constituent Conference in Madrid, we were in fact a few months in advance of the exciting reality of the crumbling of the Berlin Wall and the ideal of a Europe reaching "from the Atlantic to the Urals", and also bearing the promise of a lasting peace, unfortunately as yet unfulfilled.

One year later, to be precise on 14 November 1990, in Madrid, we therefore set up EUROSAI, giving concrete form to a concept which first saw the light of day over twenty years



Mr. Carbone, Chairman of EUROSAI up to the Congress in Stockholm, June 1993, and the Secretary General, Mr. Carretero.

ago but which had been somewhat slow in gaining acceptance.

I should like, briefly, to recall the stages in the creation of our organisation.

2. Following the establishment, starting in the 1960s, of a number of regional groups within INTOSAI, bringing together the SAIs from neighbouring countries by geographical area, by tradition and by culture, in 1974 the Spanish and Italian SAIs met in Venice to consider an initial draft statutes aimed at the establishment of a European regional group - EUROSAI - and to agree on a joint action programme.

The draft received only a rather lukewarm welcome since it was thought that the differences between the political systems obtaining in the countries of Europe would make it difficult to co-operate at European level; furthermore, the establishment of the Community Court of Auditors in 1977 already required the SAIs to undertake collaborative efforts on such a scale that the introduction of new links could not at that time be considered.

established consisting of representatives of six countries (Spain, France, Hungary, Italy, United Kingdom and Sweden), charged with canvassing the opinion of all the European SAIs on the draft EUROSAI statutes and with calling the Constituent Conference in 1990.

The same year, two meetings of the committee were held, in Rome in February and in Vienna in May. At the latter meeting, the definitive text of the draft statutes was produced.

The Constituent Conference, which was held in Madrid, bringing together 31 delegations representing that number of Supreme Audit Institutions in European public finance, finally adopted the organisation's statutes, thus giving its approval to the birth of EUROSAI.

That, in a few words, is our history.

3. Young as it is, EUROSAI is an organisation whose roots reach deep into the past, but which is also firmly anchored in the present, as may be seen from the work it has carried out in the first two years of its existence.

Immediately after the Constituent Conference, again in Madrid, the first

proposes to achieve with those which others intend to pursue: a programme of joint initiatives aimed at developing professional and technical understanding and co-operation.

We could not however stop there, simply arranging to meet three years later in Stockholm, the city chosen for the second Congress.

We therefore decided to hold three seminars, spaced out over the three years prior to the second Congress, which were to be seen as so many stepping stones along the way to the Congress.

This was a far-sighted decision, producing the following results, which we all see in a highly positive light.

3.1 Taking a broad view, it may be said that the two political and economic systems which exist in Europe (the liberal, democratic system and the collectivist, centralised system) had given rise to two different organisational models in auditing, which, although having essentially the same functions (auditing government and administration), in fact acted within very different contexts and with very different aims, methods and concepts. These differences merited further detailed consideration. We then decided to hold an initial seminar -with the artificial title "East-West"- which would be open not only to the chairmen of the SAIs concerned but also, and above all, to those responsible for operational audits.

The task of organisation was entrusted to Mr Hagelmayer, chairman of the Hungarian audit institution. SAIs from 17 countries were involved in the work, which took place in Velence, near Budapest, in September 1991.

The seminar resulted in a fruitful exchange of ideas and experiences, which enabled many of our colleagues in eastern European countries to come into contact for the first time with the approach and methodology used in auditing in the west, and which also enabled our colleagues in the west, who had already had the opportunity to compare their activities at bilateral or Community level, to get to know the new audit models planned or already introduced in the countries of central and eastern Europe.

3.2 We then experimented with a new way of organising the works of the Congress, the objective being to avoid overloading a single SAI with the entire organisational burden in terms of costs and responsibility (both

The Seminar held in Velence (Hungary) in 1991 enabled many of our colleagues in Eastern European countries to come into contact for the first time with the approach and methodology used in auditing in the West

The draft was therefore rejected, until 1983 and 1986, at the Manila and Sydney INTOSAI Congresses, where, again on the initiative of the Spanish Tribunal de Cuentas and the Italian Corte dei Conti negotiations were started with the other European delegations, demonstrating renewed interest in EUROSAI.

In June 1989, at the thirteenth INTOSAI Congress in Berlin, the Spanish and Italian auditors' institutions distributed new draft statutes to the European delegates.

Under the impetus of the Berlin Declaration, a committee was

Congress reviewed the subject of public administration audit. The experiences of 31 SAIs were examined, as were their different traditions, methods and structures.

Both the institutions organised in the form of "courts of auditors" and those organised in the form of "auditors general" were represented.

In doing this, we were already meeting some of the objectives enshrined in our statutes: to promote mutual knowledge; to communicate our experiences to each other so that each may learn from the other; to compare the objectives which each

of which are considerable) but rather to share this task among a number of SAIs, which were therefore given the task of organising preparatory seminars on the subjects selected for consideration by the Congress, and of producing draft reports to be submitted for examination and approval by the organisation when it met at the Congress.

Four SAIs were charged with this task, under the leadership of Mr Mundebo, chairman of the Swedish audit institution, who was responsible for the organisation of the Stockholm Congress in June 1993.

3.3 Mrs Korinkova, Minister for Audit in Czechoslovakia, and Sir John Bourn, Auditor General in the United Kingdom, coordinated the work of the seminar held in Prague last April and centring on a subject of importance not only to Europe, namely privatization, which, because of its topical nature, will no doubt also be discussed during this meeting in Washington.

3.4 Finally, the city of Istanbul played host to the last seminar, coordinated by Mr Gonul of the Turkish Court of Auditors and Mr Angioi of the Court of Auditors of the European Communities.

Will auditing enter new areas? Is there a new, more effective role for the SAIs in their respective countries? These are some of the questions we asked ourselves in Istanbul, and, if I have the opportunity, I shall be happy to talk to you about the "new horizons" we regard as feasible and desirable in the field of public finance auditing.

FUTURE CHALLENGES

4. EUROSAI is now prepared to experience its second Congress. It is also prepared to welcome the accession of the new states which have been formed in Europe, and to play an active role in the cohesion of all the European SAIs and co-operation with the other regional organisations formed under the INTOSAI umbrella. It does so in the desire, shared by us all, that our task will always be to audit expenditure which aims to improve the economic and social conditions of our fellow citizens, and not expenditure on wars which destroy both human lives and riches.

Seminar held in Velence, Hungary.

8-12 September 1991

EASTERN EUROPE; THE START OF THE COOPERATION

Intervention by Itsvan Sandor

I would like to thank you in advance for your confidence, however, I must tell you that I haven't got the stone of the wise in my pocket, therefore I am not infallible; I must also tell you though that we, who have been the organizers of this seminar, perhaps stand a little bit closer to what we are saying to what we would like to see realized than the way the participants see it. In case I'm wrong I hope you will let me know and correct me in the course of the evaluation. First, allow me to speak about the program of the seminar and about how much has been achieved. Yesterday afternoon we heard a nice evaluation of the IDI program and about the philosophy behind it. I have to tell you that IDI has helped and supported our program. This program of ours, however, is something totally different than other IDI programs; it is something special, as you might have already noticed. We have started something in this region in order to coordinate the work carried out by audit offices in Europe. You must be aware that this is a very special region. This is where audit offices have their original roots, yet this is where the audit offices of a number of countries lay lifeless for 30-40 years.

This is how the program and the objective of the seminar were defined. Our dialogue has been very special; we were learning our common language—the audit office language—day-by-day and I must admit that even though we cannot yet speak it fluently, we understand the interpretation. Through interpretation, we understand audit office concepts, categories and criteria as well. Let me not forget to thank our interpreters for the good job they were doing and for helping us so much. Of course we should not be surprised that it is so difficult for us to understand audit office language because auditing processes are still very different in our countries. The questions reflected this perfectly. All of us have been supported by our own experience when we put our questions, thus we should not be surprised that sometimes the questions and the answers were not really adequate. However, I still think that the program we organized served our purposes: the presentations, the consultations and the leisure programs went well. We received an outline of the general questions and international practice of auditing. The program made it possible for us to study certain fields more in depth. We had a chance for informal bilateral and multilateral discussions; for professional conversations. The speakers have been very well prepared and took great care in

transmitting their knowledge and experience. The students expected, received and evaluated the presentations with a wish to learn, with discipline and with tolerance. We admit that perhaps not everyone received adequate answers to their questions, asked or unasked. It is also true, however, that no question remained unanswered, and the answers have given us a chance to think about our own questions and the answers over and over again. I think we can state that our conversation turned out to be a good dialogue. The program has been carried out fully and in a disciplined manner.

Let us go a bit into details: what have we achieved?

We have a general picture of:

- a. the international situation of audit office work
- b. the relationship between audit offices and Parliaments
- c. the similarities and differences in audit offices
- d. the most important and most generally used methods of auditing activities

We could go into detail on the following issues: how to go about controlling central budgets in different countries; we had time to talk more in detail about the audit of the local governments. An exciting question in this region is the method of auditing the privatization process, and in this respect we could speak about the details of the audit of state owned companies as well. We also had some time to spend on the professional foundations of auditing. Within this, we can speak

COOPERATION AND AUDITING

about the methodology of organization of auditing, about the relationship between auditing and information systems, about the use of computers, about professional training and continuing training. I think we received some very useful information on how the loans extended by the European Communities are audited. Last but

This is where audit offices have their original roots, yet this is where the audit offices of a number of countries lay lifeless for 30-40 years

We were learning our common language – the audit office language – and I must admit that even though we cannot yet speak it fluently, we understand the interpretation

If public money is used by political parties or by social organizations, the audit office has the right and obligations to carry out audits

not least, I think we gave each other some useful information on where auditing stands in Eastern Europe and how they wish to build up their central auditing systems. On the other hand, we received some information on the experience of those countries that have advanced audit offices, and we found out what

they would recommend to us in developing our audit offices.

I think we were lucky to get acquainted with very different systems, regarding forms of training as well as methods of auditing. I think these can help us in building and developing our audit offices in a manner that corresponds to a realistic social and economic environment. I would also like to say a few words about the experience gathered from what we have heard here. I think we can say that we are all devoted to working together in Europe in order to develop up-to-date audit office operations. This job has already started in all Eastern European countries. We are in different stages of development. We must also admit that there is considerable pressure everywhere for auditing to help in solving economic and social problems. We admit that countries with a lot of audit office experience can help in this to a large extent. This help has already started here.

However, we must also see that everyone must go through the stages of development. There are no ideal solutions for everything, yet there are certain historically tested models; there are control modules that can be used in lot of different places, but we must be the ones who decide which of these can be adapted to our own countries' needs. Certain ideas and proposals that were formulated in the course of conversations are worth mentioning here. Just a few by way of a reminder: we could agree on the fact that the audit office has the right and obligation to carry out auditing wherever public money is used. We also agreed that if public money is used by political parties or by social organizations, the audit office has the right and obligations to carry out audits. However, in such cases audits should cover only the legality of the matter and should not refer to its reasonableness or its results. We also agreed that we must fight to establish a direct relationship between the audit office affairs. We are aware that there is no perfect auditing system. There are gray spots in every auditing system, therefore the work carried out by different bodies must be coordinated. Therefore, we must acquire the right for the audit office to take steps

We are all devoted to working together in Europe in order to develop up-to-date audit office operations

The audit office should pay more attention to the audit of stated owned companies and state property in general

towards coordination and the elimination of contradictions and shortcomings. We also admit that we need continuous and consistent efforts and development on the part of the audit office itself as well.

Besides these general observations, allow me to speak about three areas in particular. I think these are very topical questions in Eastern Europe. We all probably agree that we would have liked to get more help in trying to solve the problems of auditing the privatization process. However, we must not be impatient because as there are no suitable models to solve the question of privatization itself, how could there be a suitable method of auditing it? But we can already come up with some common thoughts in this field. We can see that the privatization process in Eastern Europe takes more

process in every country. Therefore, I believe we have to think continuously about the methodology of auditing the privatization process and probably any exchange of thoughts will be very useful in this field. However, we can accept a few basic principles right now regarding the audit of privatization. One is that it would not be very appropriate for audit institutions to participate in the privatization process. Secondly, auditing should not take part in the evaluation and assessment of businesses. Thirdly, we can see that in the present stage of privatization, audits should be directed primarily at the work of the agencies that actually carry out privatization. We also see that there are different methods of auditing in the area of privatization and we can practically say that in the developed countries there is individual privatization, therefore auditing them can be done by direct means. In Central and Eastern Europe, privatization is a general process that cannot be monitored through concrete direct methods, because the job is so enormous. Audits must be aimed mostly at tendencies, at the special characteristics of the different sectors, at the reasonableness of regulations.

In connection with the audit of the privatization process we must be sure not to neglect the audit of state-owned companies either. We heard that in the developed Western countries they take the organization of the audit of public property very seriously. In Central and Eastern Europe, a tendency developed in the period of privatization to exert less control of state property. Unfortunately, this is the case in Hungary, therefore I'd like to emphasize that the audit office should pay more attention to the audit of state-owned companies and state property in general.

I would like to speak about the methods of auditing local governments. We must admit that we, that is the Eastern European countries, live in the romantic period of becoming independent. This is rather logical because through this, the former over-centralization is denied. However, abuses of independence have already appeared. I think the Hungarian situation outlined here can serve as an example even though the representatives of

We must admit that there is considerable pressure everywhere for auditing to help in solving economic and social problems.

We admit that countries with a lot of audit office experience can help in this to a large extent. This help has already started here.

countries with developed audit offices have told us that local governmental money is public money too, thus the audit office must inform Parliament about this as well, so we must not neglect it. I think the Italian, French, British and Swedish examples are worth considering when we want to organize the control of our local governments.

The third question is the computerized information background to audit work. In this seminar the request came through clearly for EUROSAI to help the countries of the region in computer training. We heard that IDI had relevant sophisticated programs, therefore I feel we should forward this common request to the next meeting of the governing council of EUROSAI. I will now finish this summary and evaluation of the seminar; this is what I requested your time and attention for. Finally allow me say just two more sentences as the host. Both personally and professionally it has been a pleasure to work with you. You have been wonderful guests for which we would like to express our gratitude.

Thank you for your attention.

30 THE CHALLENGE OF THE PRIVATIZATION

time than was expected. It is also acceptable that denationalization and privatization are not the same, and they are not the same regarding their audit either. Privatization of agriculture in itself is a very special

Seminar on Privatization Prague, April 9 -10, 1993

AN EUROPE WIDE PHENOMENON

Elaborated by Eva Hoskova

I EUROSAI Congress in Madrid in 1990 decided on organizing two pre-congress seminars in Prague and Istanbul presented as preparation EUROSAI Congress in Stockholm in 1993. The National Audit Office of the United Kingdom and the Federal Ministry of Control of the Czech and Slovak Federative Republic were commissioned with arranging the seminar on the subject "The Changing Functions of the State and the Role of Audit with Special Emphasis on Privatization". Seminar organization was provided by the Federal Ministry of Control and NAO was responsible for presentation contents.

The seminar, held from April 9 to 10, 1992, took place in the Congress Hall of the hotel Atrium situated in the city of Prague in which also accommodation for participants was provided.

About 80 participants attended the seminar, delegates were represented by 1-3 officials from the SAIS of EUROSAI member countries and INTOSAI members (the United States of America, Mexico and the United Nations). Besides the delegates also observers from the Baltic States Lithuania and Estonia, Egypt and Mongolia participated in this seminar.

There was the first event within the framework of EUROSAI activities when the approaches in audit privatization processes of Western and Central Europe were compared. Sessions were given in two days and seminar participants were acquainted with privatization methods, main sector for privatizations, function of the state within the framework of privatization processes and the other issues concerning this topic.

The seminar was chaired by co-host. Sir John Bourn, General Auditor and Comptroller of NAO UK and

Mrs. Kvetoslava Korinkova, former Minister of the Federal Ministry of Control of Czechoslovakia. The speakers were both representatives from SAIs of Western Europe, the United Kingdom, Netherlands, France and Germany and from SAIs of Central Europe, Czechoslovakia, Poland and Hungary. At the seminar four languages were used: English, German, French and Czech.

Seminar demonstrated experiences of EUROSAI members in auditing privatizations, background to privatisations in Europe, government's attitude to foreign investment in privatised businesses and challenges and problems which the relevant SAIs face and methods of privatization audit they have adopted.

TYOLOGY OF THE PRIVATIZATIONS

Seminar was opened by presentation of Mr. Alan Martin from NAO UK. His paper was not only an introduction to the seminar subject but also a summary of the methods and activities of relevant SAIs in privatization and its audit. This first session proceeded from compiling the questionnaire elaborated according to the responses of 22 EUROSAI member countries covering the fundamental facts about privatization and its audit.

Treatment of questionnaire confirmed that very large numbers of privatizations occurred in countries of Central and Eastern Europe 96% of all privatizations in Europe—typically in the retail sector, mostly in value range below \$ 100.000. Across the whole Europe most of privatizations were in the industrial sector. Finance, retail sector and utilities have been the secondary sectors for privatization overall.

Many similarities were confirmed in using valuation and privatization

The most commonly used privatization method is trade sales, followed by flotation, auction and management buy-out

methods. Four valuation methods are most commonly used: asset value from the balance sheet, negotiation, competitive offers and expected profits/dividends. The most commonly used privatization method is trade sales, followed by flotation, auction and management buy-out. The questionnaire showed that many of the state auditors face the same problems in carrying out audits of privatizations and the changes in the functions of the state and privatization policies have had a similar impact on their work.

Presentations of speakers from Central Europe have focused on the role of a central privatization agency (Hungary), main audit problems in relation to the privatization of economy (Poland) and flotation as a privatization method (Czechoslovakia).

Across the whole Europe most of privatizations were in the industrial sector

Papers of speakers from Western Europe were concentrated on experience from audit of privatization sales and on solutions to the following problems. Papers of English speakers included the view from an investment bank and privatization of utilities, paper of representative from Netherlands comprehended slow motion privatisation as an alternative approach to privatization, French presentation clarified financial results of governmental operations in privatization and issue of German unification and privatization and approach of Treuhand and German Federal Court of Audit was contents of paper of German representatives.

Seminar confirmed some common problems emerging in majority of states of Europe and lack of clarity in government objectives but at the same time many differences in auditing privatization in relevant European countries in connection with different stage of development of their economies.

Privatization is an Europe wide phenomenon at various stages of development

Seminar presentations and discussion underlined significance of privatization as an Europe wide phenomenon at various stages of development and implementation in member countries. Seminar on Privatization brought EUROSAsI countries closer together because problems and opportunities concerning this topic are shared by all the countries concerned. It was opportunity for practical co-operation and seminar has assisted to SAIs, both in auditing the privatization process itself and in further developing common attitudes to auditing standards and methods. The exchange of experiences between SAIs has made an important contribution to the identification of positive lessons which could be applied to future privatizations.

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A summary of the Synthesis paper on Istanbul Seminar

INTERNAL AND EXTERNAL PROCESS OF THE AUDIT

1. One of the two subjects selected by the EUROSAsI Governing Board for discussion at the Stockholm Congress was "Achieving Results for the Audit Office with special attention to the selection of audit areas of importance, the presentation of the audit to public and quality of staff". It was also decided that a seminar should be held in order to bring out the issues to be dwelled on and areas of possible common understanding which could be reached at, without much ado, in the Congress.

Considering the broadness of the subject, in Governing Board's assignment attention was tried to be focused on three subthemes. The Questionnaire by the co-hosts which the EUROSAsI members were asked to respond was divided into four sections, first one being on general questions relating to SAIs. Under these four headings SAIs were requested to answer 41 questions. Pre-seminar paper written by the rapporteurs to summarize these answers was discussed in five sessions, each introduced and chaired by a different SAI and in each session the subject has been discussed from three or four different angles, first by delegates who were asked to animate the debate and later by other contributing delegates.

The following is intended to be a summary of the Synthesis Paper

written after the Istanbul Seminar on this subject, which was held in May 1992 and co-hosted by The European Communities Court of Auditors and the Turkish Court of Accounts.

SELECTION OF AUDIT AREAS

2. Given the gap between the works to be performed to achieve results that Parliament and public opinion expects them to achieve and the available resources, SAIs are always faced with the problem of making choices in selecting areas for auditing and also specifying those areas which are to be prioritized. In all SAIs, a proportion of audit work which is imposed by statutes and law or requested by the government, parliament or other interested parties, is necessarily left out of this exercise. This may somewhat simplify the selection process, but the use of this practice on a large scale raises the questions relating to the independence of the SAI.

Nevertheless, it seems that most SAIs enjoy a great deal of autonomy in planning their work. It was noted, however, that the process of identification and selection of priorities sometimes was restricted to

senior managers and members of the collegiate SAIs or to the head of monocratic SAIs. There was a general agreement in the Seminar that participation of audit staff should be increased, especially in the area of performance audit, where the criteria taken into account were more numerous and complex and where the objectives of the audit were often more complex. The greater involvement of the audit staff would avoid mismatch between the choice of audit area and the qualification and experience of available staff and would also improve staff motivation.

It was noted in the seminar that in the area of regularity audit, SAIs were making use of the same or similar criteria, perhaps differing only about the emphasis given to them. Monetary value of areas to be audited, degree of risk of error or fraud involved. On the other hand, SAIs generally consider additional and often wider criteria in the area of performance audit and there was a general agreement that identification of priorities gave rise to the biggest challenges in this area.

DIALOGUE BETWEEN

THE SAI AND THE AUDITEE

3. The written or oral dialogue between the SAI and the auditee has been the focus of lively interest during the seminar and it was agreed that it merited further discussion at the Stockholm Congress. Dialogue between the SAI and the auditee is more than an exchange of correspondence on the administrative arrangements concerning the conduct of audit. It is rather an exchange of views and information on the objectives and methods to be followed, problems identified, results obtained, conclusions reached and suggestions made for improvement.

Dialogue can begin and does in certain SAIs at the planning stage

and may serve as a tool of follow-up procedures, while in a few EUROSAI countries auditees are required to report back to the SAI to give information on actions taken upon the audit report. In some SAIs reviews of the audit results have become a permanent exercise so that dialogue relating to one audit may overlap with the dialogue opening for the next.

RELATIONS BETWEEN THE SAI AND THE PARLIAMENT

In a few EUROSAI countries, auditees are required to report back to the SAI to give information on actions taken upon the audit report

4. As it can be readily accepted relationship with Parliament and public opinion is important for many aspects of SAI's work, but in the

other SAIs, notwithstanding their independent status, depended on Parliament for follow-up and implementation of their recommendations. It was equally clear that Parliamentary or the public interest was focused mainly on the results of performance auditing.

Methods of informing the Parliament or the public about the audit results may vary from one SAI to another, but it seems that SAIs are becoming more conscious of the fact that the form of presentation is as important as the contents of the report for achieving results.

Therefore SAIs are using increasingly innovative methods of "marketing" the published reports, by making press releases or conferences and by preparing reader

Inform and discuss the audit results may change the final conclusion reached by the auditor concerning the auditee.

seminar emphasis was mostly on the role of Parliament and the public opinion with regard to the implementation of audit results.

It became apparent both from the answers to the questionnaire and during the seminar that, while a few SAIs which were endowed with autonomous judicial powers could implement their recommendations directly without need for publication or parliamentary intervention, most

—friendly summaries. It was stressed in the seminar that legal restrictions for use of media as a means of disseminating results might create a problem for the SAI.

STAFF DEVELOPMENT AND MOTIVATION

5. It was clear both from the responses to the questionnaire and discussions in the seminar that the nature of the audit work required to employ highly educated and highly qualified audit staff. Furthermore, it was pointed out that those executing the audit had to be at least as highly qualified as those subject to audit. On the other hand, a part of the audit work especially in the domain of regularity audit, is repetitive and tedious. This creates an imbalance between the quality of staff and the quality of work. It must be noted however that changes in the public sector related to privatization and restructuring of government departments, together with increasing importance of performance audit have started to diversify audit work and thus making it more interesting. In fact, definition and scope of audit work are being broadened and new concepts and ideas for conducting audit itself are being introduced.

Such developments not only reconfirm the necessity for high quality audit staff, but also emphasize the importance of staff training in order to meet the need to

equip the staff with new skills required by these changes directly or indirectly related to audit.

With these considerations, SAIs now are increasingly tending to spend more efforts on staff development policies. A sound system of staff recruiting and comprehensive programs for constant training of existing staff to accommodate needs for the newly arising audit tasks are main but not exclusive elements of these policies which are to be aimed at both individual staff and at the body of staff.

To cope with the challenge of the new developments, SAIs, apart from retraining existing staff or recruiting new staff with innovative skills, may consider the use of experts on temporary contracts or to contract out work to private audit firms.

Staff motivation has been greatly emphasized as another aspect of achieving results for the audit office, since a well motivated staff is likely to produce a higher quantity and quality of work than a poorly motivated staff.

Participants stressed the value and significance of (i) a good staff

To cope with the challenge of the new developments, SAIs, apart from retraining existing staff or recruiting new staff with innovative skills, may consider the use of experts on temporary contracts or to contract out work to private audit firms

appraisal system possibly based on merit as well as seniority, (ii) allocation of responsibilities to auditors themselves, (iii) a system for rewarding the good and/or improved performance (iv) clearly defined and well thought out policies and office culture.

Whereas, lack of information about decisions taken at the managerial level and inadequacy of communication within the organization are seen as major factors which harm the motivation.

In the seminar there was a general consensus on a number of issues despite the economic, political, social and cultural variations between the SAIs. However basic conceptual and practical differences do exist between members of the EUROSAI.

SAIs are using increasingly innovative methods of "marketing" the published reports, by making press releases or conferences and by preparing reader friendly summaries. Legal restrictions for use of media as a means of disseminating results might create a problem for the SAI.

Meeting of Delegates from Central and Eastern European Countries

THE GERMAN EXAMPLE UNDER DISCUSSION

Government auditing and democracy was the subject of the international meeting for Heads of SAIs and Members of Parliament from Central and Eastern European Countries that was held by Germany's Federal Court of Audit (FCA) in Königswinter on the Rhine from November 23-27, 1992.

The conference was sponsored by the Federal Ministry for Economic Cooperation within the framework of a Government program to promote economic and social development in Central and Eastern Europe. Participating were 34 delegates from the following countries: Albania, Belarus, Bulgaria, Croatia, CSFR, Estonia, Georgia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia and Ukraine. Technical papers on the tasks, methods and procedures of government auditing were prepared by experts from the FCA, the State Court of Audit of North Rhine-Westphalia, the Court of Auditors of the European Communities and the Federal Ministry of Finance. They provided the basis for discussing the conditions required for ensuring effective accountability of public financial management.

The conference was opened by FCA President, Dr. Heinz Günter Zavelberg, who addressed in his paper the status, functions and work of an audit office in a democratic environment. FCA Vice-President, Ernst Heuer, gave a lecture on modern audit methods. Other issues dealt with were the relation of the FCA to Parliament, parliamentary supervision and control of public funds, auditing at the federal state level by the "Land" Courts of Audit, auditing public enterprises, auditing secret expenditure (defense spending, secret



Participants and organizers of the Meeting members of fifteen countries and members of Germany as host country

services) as well as reporting and information disclosure to the public.

One major event of the conference was a panel discussion with the chairmen of both the Budget Committee and the Public Accounts Committee, Rudi Walther and Karl Deres, the President of the Hungarian State Audit Office, Dr. István Hagelmayer, the German member of the European Court of Auditors, Dr. Bernhard Friedmann, the Assistant Under-Secretary in the Federal Ministry of Finance, Siegmund Kunas, Prof. Dr. Heinrich Siedentopf of the Post Graduate School of Administrative Sciences in Speyer and Dr. Zavelberg.

At the close of the conference the delegates attended a parliamentary budget debate and were received by the President of the German Parliament, Prof. Dr. Rita Süßmuth.

The objective of the conference was to give the participants an overview of the German budgetary

and financial accountability systems. The conference was designed to help policymakers and administrators from the formerly socialistic countries to reform or build up the government auditing system in their country and thus help to pave the way for full audit coverage of public funds that no democratic state can dispense with.

For additional information about the papers presented at the conference contact the:

Bundesrechnungshof (Federal Court of Audit)
Referat Pr/Int (Int. Rel. Dept.)
Berliner Strasse 51
D-6000 Frankfurt/Main 1
West Germany

With the attendance of SAIs Presidents of the Visegrad Accord Countries

A MORE ORGANIZED COOPERATION IN THE FUTURE

A meeting of the SAIs Presidents of the Visegrad accord countries was taken place on July 12-13, 1993 at Velence, in the training Institute of the State Audit Office of the Hungarian Republic.

The Visegrad Accord is a loose cooperation —covering different fields— among the 4 Central Eastern European reform countries: Czech Republic, Poland, Hungary and Slovak Republic.

The meeting of this year was not unprecedented since in 1991 in Prague and in 1992 in Luxembourg had taken place a harmonization and a common discussion on the questions and possibilities of a cooperation between the SAIs of the Central European countries and the EEC countries.

The Visegrad Accord is a loose cooperation among the 4 central Eastern European reform countries: Czech Republic, Poland, Hungary and Slovak Republic

The most important question on the agenda of the meeting at Velence was the discussion on the possibilities and forms of a more organized cooperation in the future.

The participating leaders of SAIs: Dr. Lech Kaczynski, Mr. Arpad Matejka, Dr. István Hagelmayer and Mr. Vladimir Ezr in charge discussed the above mentioned question and emphasized its importance.

All of the listed leaders expressed their belief that in the future there should be regular consultations among the SAIs of the Visegrad accord countries.

A concrete agreement was reached on the yearly meeting of the leaders of SAIs for discussions on the most important current questions.

The next meeting will be in 1994 in Bratislava, in the course of which the participants will discuss the preparations of the INTOSAI XV Congress in 1995 in Cairo.

The Presidents have reached an understanding that they would harmonize their opinions on the audit of the environmental protection and privatization.

Concerning the other forms of cooperation they have agreed that the commonly organized seminars make the training for the experts of the Visegrad accord countries SAIs possible.

The Polish SAI has taken over the organization of an experts seminar on the questions of privatization in December of 1993. The reason of organizing this consultation is the attachment of great importance to the privatization, the auditing questions of this process in each of the Visegrad accord countries: the parliament, the government and naturally the SAI as well.

The Polish SAI has taken over too to organize a consultation on the experiences of enforcement of the new law connected with the audit in Warsaw next May or June.

The Czech SAI has announced that they are going to organize an

experts meeting on the use of computers in auditing in Prague next March. This meeting is a part of the very successful cooperation has taken shape among the SAIs of the United Kingdom, Czech Republic and Hungary, its first very successful stage was an experts meeting on privatization at Velence last year.

The heads of SAIs of the Visegrad accord countries made an agreement to invite the experts of the other functioning eastern European SAIs to the experts meeting planned in the frame of the cooperation.

The meeting made a discussion possible on the experiences of the phare program offered by the EEC. Besides this there occurred a possibility to discuss some different methodical questions too. They discussed questions as the experiences of the applications of a priori and posterior audits, and the situation of the cooperation between the SAI and the parliament.

The discussions were honest, there was a possibility to exchange the experiences in connection with methods used in the audit.

We can state that the meeting has reached its goal, since it has helped to institutionalize the contacts among the SAIs of the Visegrad accord countries, the better knowledge of the methodical and auditing experiences of each other, the accepted program based the organized cooperation, finally, it should be mentioned the widening of the personal contacts.

Lastly we mention that the participants of the meeting have been received by H. E. Mr. Arpad Göncz, President of the Hungarian Republic, who has called the participants attention to the importance of the cooperation among the SAIs.

The Seminar held in Poland between the 7th and 9th of December, 1993

THE AUDIT OF PRIVATIZATION IN CENTRAL AND EASTERN EUROPE

Information by Jacek Mazur

Between the 7th and 9th of December, 1993, the Supreme Chamber of Control of the Republic of Poland held the Seminar titled "The Methods and Results of the Audit of Privatization in Poland, Germany and Other Countries of Central and Eastern Europe".

60 persons took part in the event, including 23 representatives of Supreme Audit Institutions from foreign countries /i.e., Germany, the Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, White Russia, and Russia, accompanied by a representative of the Comptroller and Auditor General of the United Kingdom who is the Chairman of the INTOSAI task force specialized the audit of privatization.

Subsequent sessions were devoted to the discussion of the following subjects:

- auditing the activity of state institutions created to carry out the privatization process;
- auditing the privatization of state-owned industrial enterprises/ studies of particular examples/;
- auditing the privatisation of state-owned farms /studies of particular examples/;
- auditing the communalization of state property.

The ground for discussion was provided by a large body of 26 papers written especially for the Seminar, including 11 papers sent in by the Supreme Chamber of Control, 5 papers by the German Bundesrechnungshof and 10 by remaining SAIs represented at the Seminar.

At the present moment privatization processes are gaining a tremendous importance in the region of Central and Eastern Europe; they are recognized as extremely complicated since privatization in those countries makes part of a wider ownership transformation, which in turn contributes to the general shift in the functioning of economy and the structures of the state

At the present moment privatization processes are gaining a tremendous importance in the region of Central and Eastern Europe; at the

same time they are recognized as extremely complicated since privatization in those countries makes part of a wider ownership transformation, which in turn contributes to the general shift in the functioning of economy and the structures of the state. It is the scale of privatization combined with accompanying changes in other branches of economy /all of which have a historic dimension/ that accounts for all the difficulty, mistakes and irregularities which tend to occur in the course of the whole process.

Hence, in all the countries mentioned above privatization is recognized as one of the most important subjects of audit. The papers presented at the Seminar along with the related discussion have proved how difficult this task is. Auditing privatization, then, presents nothing but a mirror reflection of the main dilemmas that the SAIs encounter in their functioning in modern times.

Here follows a handful of related reflections.

STUDIES OF PARTICULAR EXAMPLES

Privatization should be considered not only from the point of view of its legal and financial aspects, but also –if not in the first place– in its social and political aspects. While auditing privatization, it is impossible to narrow down the scope of audit to mere conformity with legal regulations and principles of book-keeping; it is as necessary to carry out the evaluation from the point of view of economy, effectiveness and efficiency of

Participants in the discussion wondered how the auditing bodies should proceed in order to be able to carry out the detailed evaluation of decisions related to privatization, in the absence of precise legal criteria of the privatization process. Specially if they wish to avoid playing the role of "the third party".

decisions in question. While presenting particular examples, participants in the discussion wondered how the auditing bodies should proceed in order to be able to carry out the detailed evaluation of decisions related to privatization, in the absence of precise legal criteria of the privatisation process; specially if they wish to avoid playing the role of "the third party" to be involved in the process or to participate in the decision-making processes which lead to making many decisions perceived as controversial by the public opinion.

The proper evaluation of the results of privatization turns out to be another complex task. Along with financial results /i.e, profits from the sale of the company, discharging the company's debts, resigning from budget allocations necessary to keep the company going/ it also is necessary to evaluate privatization decisions on other planes, such as the buyer's obligation to carry on with the

activities of the enterprise, the perspective of future investment, maintaining —or not— employment at the current level, and/or creating new jobs, the cost of assistance for the unemployed (if the employment level suffers as a result of privatization, etc.). Here the SAI faces a dilemma — to what extent is it in the position to consider and assess problems of this kind?

Apart from auditing particular decisions on privatization, another important matter is auditing the activity of Government and those state authorities which have been created for the purpose of carrying out privatization processes (e.g., the Minister of Ownership Transformation /in Poland/ or Treuhandanstalt in Germany). Among others, the auditing of long term as well as one year privatization programmes, originally accepted by the Parliament or Government, is being referred to in this place /i.e., program evaluation/.

It can be clearly seen that so far only some of Central and Eastern European audit institutions have undertaken the audit of privatisation on a larger scale; in other countries similar activities are only being initiated. Hence the importance of this Seminar for the dissemination of detailed information on the already tested practices; the papers and discussion provided information on at least 18 kinds of errors and irregularities in the processes of privatization and communalization of state property that have been discovered by audit institutions.

Seminar materials have been published in Polish, Russian, and German. Volume I contains papers prepared before the Seminar /191 pages/; while Volume II, presenting the discussion, is still being prepared for publication. Materials are available at written request to be adressed to the Supreme Chamber of Control, 00 950 Warsaw, P.O., Box P-14; Poland (phone/fax n° 48 22 24 15 23).

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EUROSAI CALENDAR

I) MEETINGS HELD

Constituent Conference:	12-13 November 1990 Madrid (Spain)
I Congress:	14-15 November 1990 Madrid (Spain)
I Meeting of the Governing Board:	16 November 1990 Madrid (Spain)
II Meeting of the Governing Board:	31 January-2 February 1991 Madrid (Spain)
Seminar in Velence:	8-22 September 1991 Velence (Hungary)
Seminar in Istanbul:	27-29 May 1992 Istanbul (Turkey)
III Meeting of the Governing Board:	19-21 May 1992 Venice (Italy)
Seminar in Prague:	8-11 April 1992 Prague (Czech Republic)
IV Meeting of the Governing Board:	19 October 1992 Washington (USA)
Regional meeting of the Members of EUROSAI during the XIV INCOSAI:	22 October 1992 Washington (USA)
V Meeting of the Governing Board:	22 October 1992 Washington (USA)
Seminar in Velence:	22-25 Marz 1993 Velence (Hungary)
VI Meeting of the Governing Board:	17 April 1993 Prague (Czech Republic)
VII Meeting of the Governing Board:	13 June 1993 Stockholm (Sweden)
II Congress:	14-17 June 1993 Stockholm (Sweden)
VIII, IX Meeting of the Governing Board:	16-17 June 1993 Stockholm (Sweden)
X Meeting of the Governing Board:	2-3 December 1993 Palermo (Italy)

II) SCHEDULED MEETINGS

XI Meeting of the Governing Board:	November 1994 Budapest (Hungary)
III Congress:	May 1996 Prague (Czech Republic)

NEW MEMBERS OF THE
ORGANIZATION SINCE
THE FIRST CONGRESS

Czechoslovakia and Russia, whose SAIs were founding members, became the Czech Republic and the Russian Federation respectively. The SAIs of the following countries have been admitted also as new members:

- Republic of Belarus
- Slovak Republic
- Republic of Estonia
- Republic of Georgia
- Lithuanian Republic

Moreover, the tenth meeting of the Governing Board of INTOSAI took note of a communiqué by the Governing Board of INTOSAI mentioning that the SAI of Yugoslavia (Serbia and Montenegro) had ceased being a member of INTOSAI. According to our Statutes, it is no longer a member of EUROSAI neither.

REQUESTS FOR
ADMISSION

The Republic of Moldova and the Republic of Slovenia have applied for admission in EUROSAI.