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JUST IN TIME FOR THE MOVE TO REMOTE WORKING, WE TRANSFERRED OUR METHODOLOGY ONTO AN ONLINE KNOWLEDGE PLATFORM



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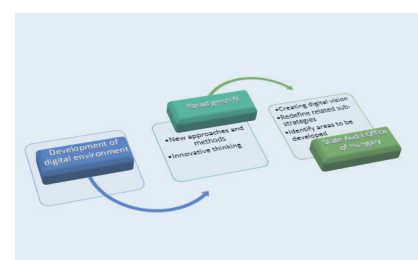
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EUROPEAN
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OF AUDITORS

After a long journey, accompanied by some surprises, we made our online knowledge platform 'AWARE' available to the ECA's auditors just as the COVID-19 lockdown started. The timing couldn't have been better!

JUST IN TIME FOR THE MOVE TO REMOTE WORKING, WE TRANSFERRED OUR METHODOLOGY ONTO AN ONLINE KNOWLEDGE PLATFORM

Josef Jindra, Horst Fischer and Geoffrey Simpson, Directorate of the Audit Quality Control Committee

The impulse came from the auditors

For many years now, our auditors have been faced with a multitude of methodological guidance, overlapping in content, growing in length and multiplying in format. The three main manuals and large number of guidelines and other documents, together represented around 1000 pages. Over time, inconsistencies between the various documents emerged. Keeping them up to date was laborious. Searching was difficult. As a consequence, auditors' requests to the methodology department for clarity and help got more and more frequent.

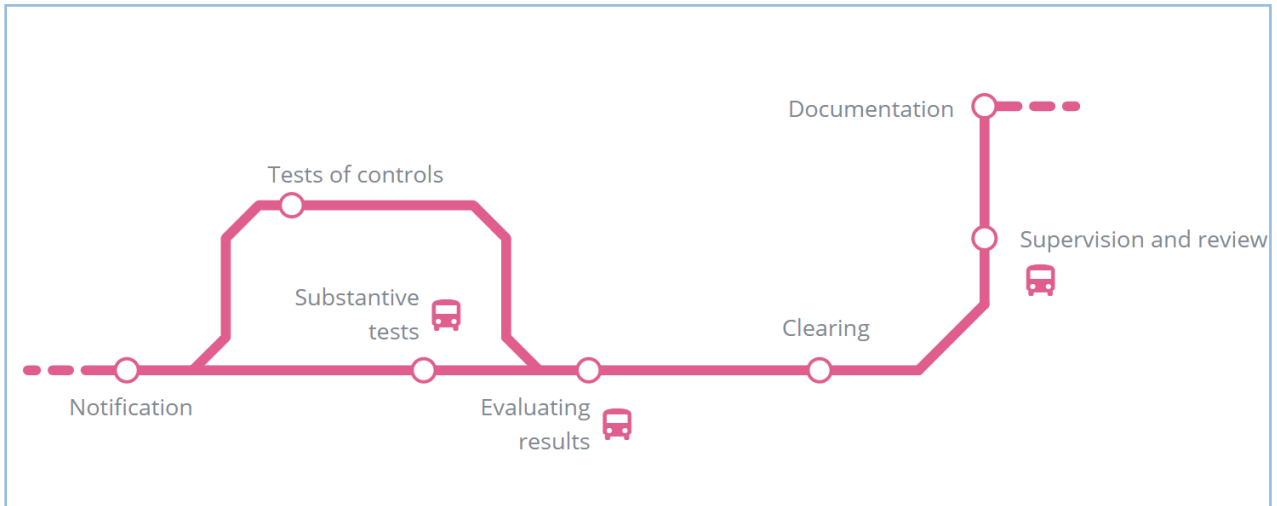
From paper to digital

Previously, our methodology was a collection of manuals and guidelines which were all available as pdfs which any would print. AWARE moved the content of our methodology, and the access to it, to the digital world.

There were two main challenges:

1. The biggest challenge was to structure the large volume of material in a way that our auditors would find most logical, and so could be easily found, followed and accessed. We partitioned the ECA audit methodology guidance into around 160 blocks, each dealing with a single topic. Each of these blocks would become a single 'page' in our methodology platform. We organised these blocks in a clear and logical way reflecting the audit process. So now, our auditors can take a journey as if they were travelling through a city's public transport system. In fact, we used a metro line map to depict the backbone of the audit process. We call them AWARElines.

An AWAREline for the examination stage



- The second challenge was identifying the most suitable IT platform to allow us to accommodate the needs of users, as well as facilitate the life of those responsible for content and maintenance as well as our IT services. We chose Sharepoint. It offered good search performance, and was already integrated in our network, which made it the least costly option. We complemented it with an add-in to simplify page editing.

AWARE now consists of approximately 160 guidance pages, a repository of methodological resources and another repository of professional standards that apply to the ECA's work. We ensured that the basic structure of each guidance page is the same to facilitate the orientation within the system. And we interlinked all material within AWARE as well as to outside resources. So, for instance an auditor consulting the page on fraud considerations in an audit will not only find what to do, but also the definitions, links to relevant EU law, professional standards and internal documents. This allows content to be included only once, reducing the total volume and eliminating the risk of inconsistency.

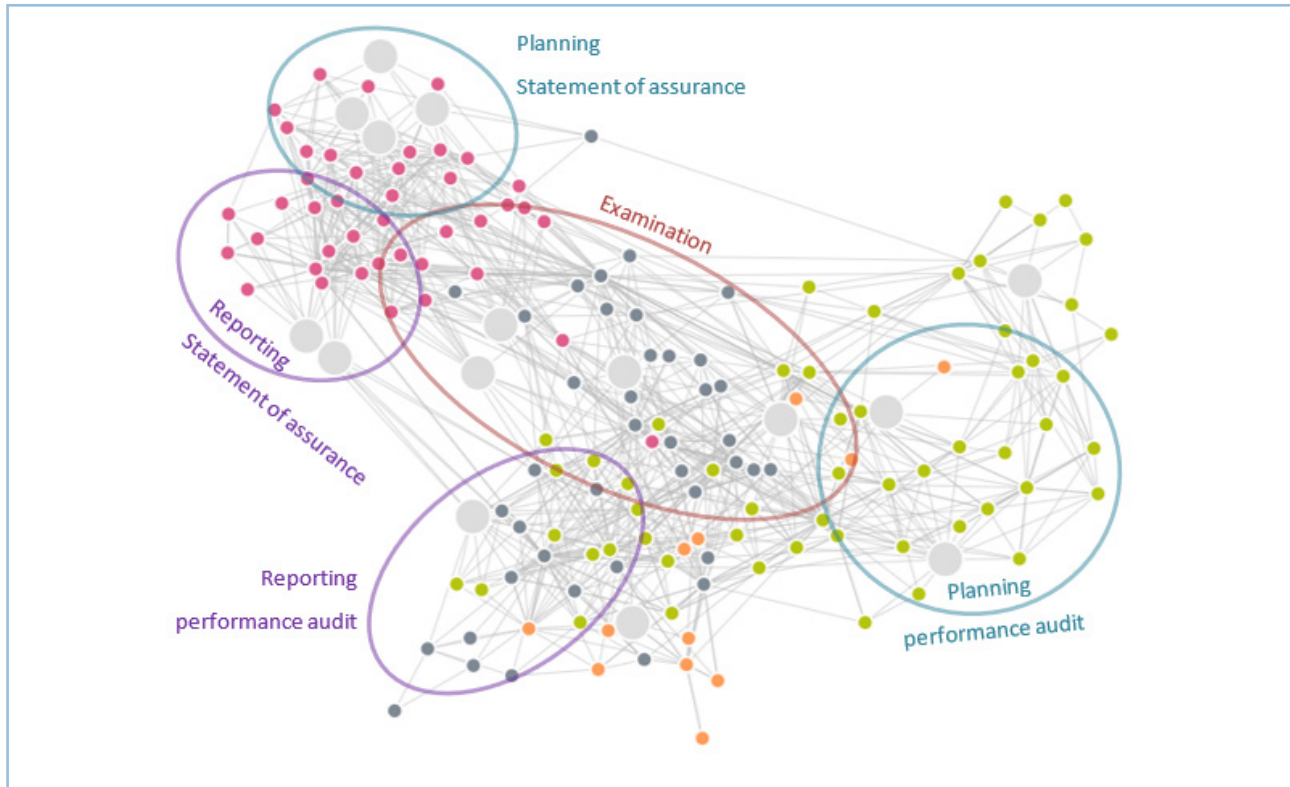
At this stage of the process the content is still centrally prepared by our methodology team, but the system

potentially allows for the expansion of the author group, and the possibilities for active collaboration this brings. Changes of substance to our methodology, such as new instructions, are approved through the traditional steps. A small dedicated team of editors with full edit access makes sure that the approved content is then uploaded to the platform, but they can also make quick fixes on their own. This way of working provides control over the content, while being sufficiently flexible to allow the system to remain up to date. Users are encouraged to contact the AWARE team for proposals, updates and methodology discussions.

Achievements

The success of AWARE is due to a number of achievements that improved the access to, and handling of, our audit methodology considerably. We reduced the volume of documentation by eliminating overlaps and repetition, and increasing consistency. We were particularly successful at creating a common guidance ground for the underlying procedures in the examination and other stages that are common to all audit objectives, which helped simplify the content and improve clarity considerably, without compromising quality.

Examination builds on a largely common guidance, while in planning and reporting stages auditors follow separate guidance



Each dot represents a single page, each line a hyperlink between the two pages. The pages were positioned using an algorithm placing pages with links to similar pages close together. The colour of the dots indicates the main type of audit activity to which the page applies. The larger dots are pages that direct to other pages, but provide limited guidance.

Searching the methodology is now easier. Updating is easier and quicker and therefore more frequent and a new approval process for changes is clearer. Auditors tend to be more engaged with the content as it follows a logical structure and provides them with a one-stop shop on methodology which is easily accessible. In addition, AWARE is more green, in line with the ECA's environmental initiatives, because there is much less need for printing. An additional advantage is the change log, which is integrated in the platform and allows users to check for changes and the reasons behind them.

Just in time for the pandemic

As for many SAIs in Europe, mid-March 2020 the Covid-19 crisis started rapidly changing the way of working at the ECA. Within a few days, the entire institution changed to distance working from home. AWARE was launched during these first lockdown weeks and provided our auditors with its many advantages: digital access to methodology, easy searching, fully interlinked information and easy access to sources outside AWARE.

AWARE is still young

We are now working on phase two challenges. We are expanding the team of editors. The authors are familiarising themselves with the knowledge base mentality. We are filling the gaps in content and converting other material still residing outside the platform, because we want AWARE to be as useful and inviting to our auditors as possible. Related to that we also want to offer a mobile functionality to our auditors. Finally, we are working on making AWARE available to the public via our website, as we did previously with our audit manuals.



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KNOWLEDGE SHARING ACTIVITIES WITHIN THE EUROPEAN COURT OF AUDITORS ON EU MEASURES ADDRESSING THE EFFECTS OF THE COVID-19 PANDEMIC

Marton Baranyi, Directorate of the Presidency

The work of the European Court of Auditors (ECA) is heavily impacted by COVID-19, forcing the institution to adapt its working methods in different ways. This also affected the internal knowledge sharing related to auditing COVID-19 measures. This article elaborates on how the ECA has set up, and currently coordinates knowledge sharing for its staff in this area.

In spring 2020, the ECA took several measures responding to the outbreak of the pandemic and its effects on the work of the institution. Apart from adjusting its working arrangements to the exceptional circumstances, the ECA has revised its [2020 work programme](#) and shifted the focus towards COVID-19-related aspects. Two reviews (one EU public health response, the other on EU economic response) were launched a few months following the outbreak of the pandemic, aiming at providing a rapid audit response. The end-products of this review work is planned to be published already in the course of 2020.

Needless to say, there is way more going on within the ECA in response to the pandemic. Since March 2020, the Directorate of the Presidency has been issuing so-called reflection papers, an additional tool to increase our collective knowledge and to challenge and strengthen our critical thinking. These papers are

internal briefings about issues in relation to recent EU policy developments, specific thematic topics, providing evidence and summarise facts, analysing the challenges and opportunities for the ECA. The Directorate of the Presidency has issued five such reflection papers so far, four of them relating to COVID and its implications, and others are also on the way. It is also important to mention the updated ECA Trendwatch, a document serving as the backbone of general foresight activity, scanning the wide policy environment using written sources and expert contacts in order to feed in the various trends in the ECA's multiannual strategy. COVID-19 and its significant and protracted impact on numerous policy areas has been incorporated in this strategic document, feeding on to the ECA's new 2021-2025 strategy. Moreover, the ECA has also asked the European Parliament (Committee of Conference Chairs) for audit suggestions for its 2021 work programme, and consequently updated its list of audit tasks proposed for the next year. Several COVID related potential future tasks are currently being analysed, taking the latest events (such as the European Council agreement on the Multiannual Financial Framework and Recovery and Resilience Facility) into account, making sure that the wide EU response to the pandemic will lie within the focal point of ECA future audits.

Apart from the above, it has been known for a long time that, especially in a knowledge-based activity such as public audit, the creation, reuse and sharing of knowledge across the organisation is vital. This is especially true for unprecedented times where public institutions were entering uncharted waters with organisational decisions like all staff working from home, that have never been tested on large-scale beforehand. For several years, management has put a special emphasis on knowledge sharing and knowledge management for auditors and support staff at the ECA. The strategy currently in place already identifies the need to exploit and increase ECA staff's knowledge by improving the connections between individuals. The new ECA strategy for the 2021-2025 period, currently still under internal discussions and close to finalisation, will also aim at further acquiring, developing and maintaining the highest levels of professional knowledge.

Apart from setting strategic objectives, it is also important to fill these 'theoretical' goals with specific content. The ECA has chosen the way forward by creating knowledge nodes, groups of staff with a common interest in a specific subject matter, and willing to share their knowledge and expertise in this subject matter. Currently, dozens of such groups of a specific subject matter already exist across our institution, and the formalisation of the knowledge nodes also made these groups visible and accessible for staff within the ECA. According to the initial objectives, knowledge nodes should enable sharing of knowledge and expertise in a formal and informal manner among participating members but also with the rest of the ECA. The knowledge nodes are therefore by definition open and accessible to all staff and not be restricted to various entities (i.e. the directorates of audit chambers and committees).

In the context of the pandemic, and in order to facilitate the corresponding tasks, the ECA set up a specific knowledge node on COVID-19. The knowledge node comprises mainly of two initiatives. First, it established a network of ECA auditors working in different audit areas on COVID-related aspects (e.g. working on the ongoing ECA reviews); secondly, it created a platform for sharing, exchanging and updating COVID-19 related information, news and studies. The knowledge node, having more than 40 members from across our

institution, and sponsored by a Member of the Court, Mr Leo Brincat, is fully operational since May 2020, functioning exclusively in a format that guarantees maintaining a safe distance between participating ECA staff: its regular meetings are held online, and a devoted online platform has also been created offering a broad range COVID-related information. The latter operates on a sharepoint site, and contains information on the EU response to COVID-19; or documents related to the ongoing review and audit tasks addressing several issues related to the EU's response. Apart from the regular meetings, the knowledge node's common chat interface serves as a platform for sharing relevant news, publications, elements that might be interesting for the other knowledge node members on a daily basis. The knowledge node serves also as a kind "think tank" on COVID related matters, if colleagues, from top management to auditors need some information, they can also ask the knowledge node members for advice or guidance.

Overall, the ECA's crisis modus operandi triggered by the pandemic has proven the necessity, viability, and benefit of such formations that aim at sharing information and increasing knowledge throughout the institution. Although the ECA's COVID-19 knowledge node is only one of the operational key elements enabling the ECA to contribute to the public discussion on how the EU and its Member States have dealt with the effects of the pandemic, the knowledge node in itself has demonstrated the importance and practical benefits of sharing specific knowledge within the institution. As the saying goes, also applicable to knowledge: sharing is caring.



NATIONAL AUDIT
OFFICE OF LITHUANIA

NEW PRODUCT OF THE NATIONAL AUDIT OFFICE OF LITHUANIA: REPORT ON THE GENERAL GOVERNMENT DEBT PROJECTIONS OVER THE MEDIUM-TERM ISSUED FOR THE FIRST TIME



The COVID-19 pandemic greatly worsened the global situation and forced many countries to increase their borrowing. Lithuania is also rapidly increasing the level of general government debt by implementing the economic stimulus plan and other measures. The impact of COVID-19 on the economy is not yet fully known, but the impact on public finances is likely to be significant.

In response to exceptional uncertainties caused by COVID-19, the National Audit Office of Lithuania (NAOL) published for the first time a new product: a Report on the General Government Debt Projections Over the Medium Term (2020-2025). In the report, the general government debt projections were developed in five different scenarios selected reflecting the potential development of Lithuania's economy and public finances. In drawing up the scenarios and projections, the NAOL used Economic Development Scenario updated by the Ministry of Finance; projections of international institutions; government borrowing information; and statistical data.

The report shows five plausible scenarios and covers a period of five years. It also draws attention to the challenges lying ahead: how to ensure responsible planning of the 2021 budget with worse-than-expected

revenue collection, with only those commitments that can be compensated within the limits of the revenue collected and without passing on the expenditure to future generations.

The report was prepared by the NAOL implementing the functions of the Budgetary Policy Monitoring Institution (Independent Fiscal Institution) established by the Constitutional Law on the Implementation of the Fiscal Treaty mandated to the NAOL since 1 January 2015.

Assumptions for the general government debt scenarios

General government debt scenarios for 2020-2025 were constructed using different combinations of real GDP, general price level in the country, and general government balance indicators. Five scenarios for general government debt projections were developed: the most plausible (or baseline) scenario and four additional scenarios. General government debt was projected using the MAC DSA¹ framework developed by the International Monetary Fund (IMF) for analysing and forecasting the general government debt over the medium term. According to the methodology developed by the IMF, dynamics of the general

¹ Market-access country (MAC) public debt sustainability analysis (DSA) developed by the IMF: <https://www.imf.org/external/pubs/ft/dsa/mac.htm>.

government debt-to-GDP ratio depends on the real GDP, general government primary balance, real exchange rate and real interest rate developments. A GDP deflator was chosen to reflect the real developments in the latter two indicators. The main objectives of the MAC DSA are to assess the structure of the debt, identify its vulnerabilities in advance and analyse the impact of policy measures on debt.

The forecast used economic and fiscal indicators of the Bank of Lithuania, the Ministry of Finance, the Statistics Lithuania. Annual statistics were analysed since 2008. The Economic Development Scenario issued in June, as well as the OECD and Fiscal Institution's indicator projections were used to compile the scenarios. It was also assumed that both this year and in 2021 the exceptional circumstances would not be lifted, thus allowing for a derogation from the fiscal discipline rules.

Fiscal discipline

Compliance with the fiscal discipline rules ensures that reserves accumulated during the economic growth can be used in times of recession. Compliance with these rules also helps to reduce the impact of business cycles in order to preserve jobs and maintain a stable level of social benefits. The Independent Fiscal Institution, like the OECD, emphasises the need to define optimal levels of debt and to build up fiscal reserves. The EU legislation sets a sustainability criterion for Lithuania, as well as for other EU Member States, stipulating that the ratio of general government debt to GDP should be no more than 60 %. Under exceptional circumstances, the State budget is not subject to the rules of fiscal discipline. However, their withdrawal will require a return to the requirements for government debt indicators.

- On 1 January 2015, the National Audit Office of Lithuania was mandated to fulfil the functions of the Budget Policy Monitoring Institution – Independent Fiscal Institution. Lithuanian Fiscal Institution ensures the monitoring of the compliance with the fiscal discipline rules and targets defined in the Constitutional Law on the Implementation of the Fiscal Treaty and publishes the opinions set out in the Constitutional Law on the Implementation of the Fiscal Treaty.
- The National Audit Office of Lithuania carries out functions of three autonomous institutions: the Supreme Audit Institution, the EU Investment Audit Institution and the Fiscal Institution. Such an institutional setup does not have similarities in the public auditing community.



REMOTE WORKING TOOLS AND PRACTICES IN AUDIT

TCA GOOD PRACTICE EXAMPLE

Introduction

Unprecedented and unforeseeable circumstances such as the COVID-19 pandemic crisis bring along many challenges for institutions as well as the SAIs such as limited accessibility to auditees and insufficient technology infrastructure in carrying out their tasks and achieving their goals. However, the same circumstances have also encouraged SAIs in exploring digital world as to how it can be used to enhance the effectiveness of audit and improve the communication channels with various parties.

In this sense, Turkish Court of Accounts has already taken significant steps for digital transformation as well as for developing its Communication Strategy.

In respect of measures to prevent the spread of the COVID-19 pandemic, remote work model has been implemented and remote access connection provided to the staff.

Also, being aware of the importance of communication with stakeholders in today's modern world, the TCA has already prepared its 2019-2023 Communication Strategy that aims to switch the current communication practices to a new modern strategy through a well-directed change management. The new communication strategy which is designed with a proactive approach is expected to create a greater audit impact and enhanced public recognition of the TCA.

The widening digitalisation in the audit area and the widening data volumes bring forth the need to use IT in the processes for collecting data, storage, processing, reporting and decision making. In this respect, the TCA has established some IT tools mentioned below in order to benefit from digitalisation in its audit work to increase its impact.



SayCAP

Audit Management System (SAYCAP)

TCA has an audit management program, called SayCAP which provides remote access for audit teams. This program guarantees that audit works are planned, executed, documented, and managed in line with the audit manuals and international standards.

This system is constantly updated and improved in consideration of the changing reporting requirements.

Regularity Audits, Performance Audits, State Economic Enterprises Audits by TCA are performed by means of SayCap.

SayCap helps TCA to:

- Increase the audit effectiveness,
- Strengthen audit management by using IT,
- Develop an Audit Management System for planning, documenting and analyzing the audits,
- Conduct the procedures of planning, executing, reporting and quality control phases of the audits in an IT environment,
- Consolidate the audit results and
- Support TCA to carry out the overall reporting responsibilities on time.

Data Analysis System (VERA)

TCA has a data analysis program, called VERA. With the help of this system, risky areas are determined by evaluating financial records and also the previous year audit results and those areas are prioritized in the overall annual audit programs.

This system, which has also remote access, aims at:

- Receiving the data sent by the public entities via electronic environment,
- Determining the qualities of the data to allow for risk analysis,
- Identifying the standard analyses required for audit and developing audit scenarios for conducting analyses on the basis of accounting and non-accounting data,
- Increasing quality and efficiency in audit by contributing to audit management and audit processes.

Additionally, sampling analysis has been created over VERA for calculation of sample size and selection of samples from the identified population. The auditor fills in the assurance level, acceptable error level and expected error rate and the analysis makes calculations based on that information. Analyses cover three sampling methods; random sampling, monetary unit sampling and stratified sampling.

The analyses are centralised data processing functions by which the management identify the risks earlier before the annual audit programming/planning process and set the audit strategy. Also with development of predefined analysis scenarios, the data is being reviewed on a regular basis with respect to the predetermined parameters during the audit process bringing automation and standardisation to the audits.

Analysis scenarios that work on the data submitted by the auditees are designed to crosscheck a wide range of data sets and to detect risks and accounting errors. Not only risk-detecting scenarios but also iterative and time taking procedures that fall upon the auditor while conducting audits are being identified and computerized. All data in the data warehouse system is being controlled for both data integrity and compliance.

Scenarios putted forward are in fact primary controls imposed by the management. Systems containing adequate controls and security are executed and sustained. The results provide the auditors with an assurance to some degree about the veracity of the data. If they see it necessary, further investigation will be done by auditors.

Data and Document Back-up and Sharing System (SAYDRIVE)

The TCA has a secure file-server system, which is used for document sharing and data back-up. This system is designed to enable users to connect from inside and outside the institution via their mobile devices/computers.



In the scope of the Covid-19 pandemic measures that started in Turkey as of March 2020, the users needed distant (outside the institution) access to the data in the file system. In this scope, SAYDRIVE was taken into operation. The documents in the file server system of the units that wanted to have distant access to data were transferred to SAYDRIVE. Users connected to the institution's VPN, then they connected to the SAYDRIVE system and they could access their documents and the documents in the joint folders they are authorized to.

The TCA Moves Online a Step Further

During the Covid-19 pandemic, another work implemented by the TCA is the updating of the regulation for obtaining all documents that should be given to the TCA by the public entities in the electronic environment and providing the technical infrastructure necessary for this.



One of the difficulties presented by Covid-19 pandemic for audits is the problems in obtaining the documents and information from the public entities in the physical environment. Therefore, the TCA revised the current "Procedures and Principles Regarding the Delivery

of Public Entity Accounts to the TCA and Informing Accounting Units and Accounting Officials”.



The information about the tables, lists, documents and the data forming the information included in the public entity accounts and the methods of sending this data to the TCA in the electronic environment were differentiated according to

the characteristics of public entities. The said data were defined in the TCA Integrated Data Transfer System (BVAS) prepared by the IT unit of the TCA at the level of every public entity.

While obtaining data via database connection method from big systems such as the information system of the Ministry of Finance, which processes and stores the data of public entities subject to central management, the data that should be sent to the TCA individually such as the financial statements of public entities will be received via BVAS.

The TCA is building capacity in machine to machine communication



This work aims to ensure the technical infrastructure for communication between machines, minimize the information-document receipt from public entities in the physical environment and move human resource to other necessary areas by using it less in this area.

To Conclude:

Specific to the emerging COVID-19 crisis, many SAIs as well as the Turkish Court of Accounts are taking wide-ranging concrete steps to harmonize their way of work with the pandemic such as remote work models, remote access to data and documents, electronic communication with the auditees.

In this respect, as a response to the changing environment caused by the pandemic, we have improved and adjusted our systems and tools in order to perform our tasks effectively and also to ensure clear and secure communication channels with the related parties.



ÁLLAMI
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INCREASING EFFICIENCY DURING THE COVID PANDEMIC

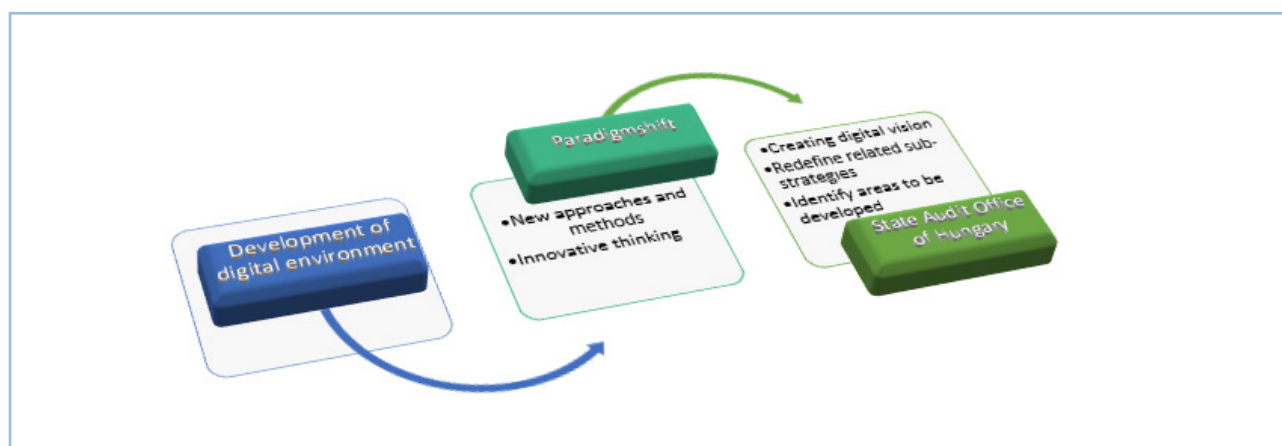
The results achieved so far in the field of digitalization and the application of the new audit technology developed by the State Audit Office of Hungary enabled the SAO to further increase the coverage of its audits and the number of audited organizations in 2020 as well. The digital switchover, which has already begun earlier, and the innovative methodological approaches based on it – apart from the difficulties caused by the COVID pandemic - have laid the foundation for increasing efficiency at the SAO.

The digitalization, the digital transformation, or the use of digital tools is an organizational task and a cultural change in which the organization introduces new methods and tools by using the advantage of technology. Following and taking advantage of the rapid development requires the organizations to switch paradigm, to have new approaches, new methodologies, new thinking while we have to bear in mind that digitalization is a tool and not a goal.

Digitalization as a cultural change?

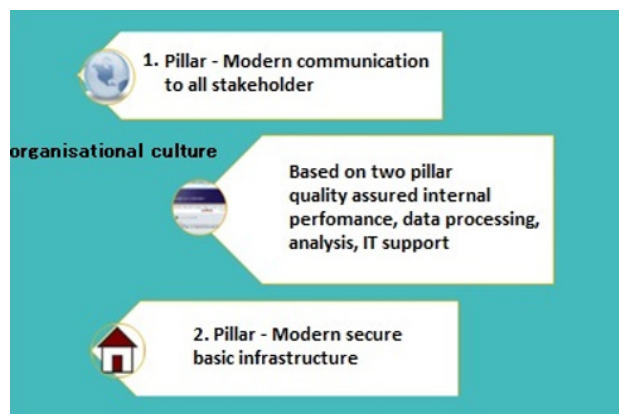
The digitalization and the digital transformation is an organizational task, a cultural change all over the world. After establishing the strategy it is required to set specific goals, to think together, to cooperate and to monitor continuously the progress and environmental change. With the use technological opportunities not only the business life will have new services and models but also in the field of public services, the operation of the state and governance.

By tracking and using the rapid technological development it is required to switch paradigm, to have new approaches, new methodologies and to think innovatively. In addition, the SAIs have to keep in mind that the digital environment of audit institution and auditees is evolving at the same time. For all this a systematic work has started at the State Audit Office of Hungary. At first it will work only at the level of strategy later it will be expanded on the whole organization in order to be able to receive new technologies. Therefore,



the SAO redefined the related sub-strategies, created a vision, and identified the areas that need to be developed.

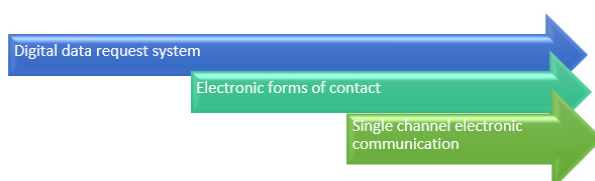
In Hungary, the SAO has defined two basic pillars for digitalization. Based on these, the goal was to adapt to the external control environment at the same time. On the one hand it was important to build appropriate channels, connection points and interfaces for the stakeholders, on the other hand, to develop the internal technological environment.



In relation to communication the introduction of the modern solutions serves to facilitate the provision of audited data and enhances utilization at the same time. The State Audit Office of Hungary has introduced a new digital data request system for auditees. During the digitalization of the data request, the SAO now is able to receive thousands of documents through separate software, company portal and customer portal as well.

In addition, the SAO has established a single-channel contact (only one department can be in contact with the auditees for data request) and built a new safe data transmission channel.

Bearing in mind the principle of gradation, the SAO placed the acquisition of audit evidence on a digital basis. There are a huge difference between the digital maturity of the institutions audited by the SAO therefore will be the gradation important for our Institution.

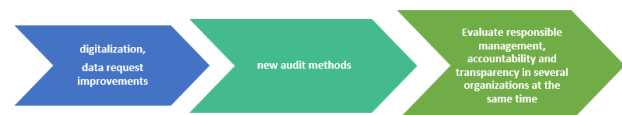


With the help of the internal “application layer”, which can be said to connect the basic pillars, the SAO can increase its efficiency by taking advantage of technological opportunities.

The global crisis caused by the coronavirus epidemic has further accelerated the use of digital devices and digital processes in the life of the SAIs, including the SAO, causing a digital turbulence: digital audit got in the focus. Working in a new environment it is necessary to have new working activities while the organizational and technological change take place at the same time. The audit methodologies had to fit to the SAO activities that were determined by the dynamic environment.

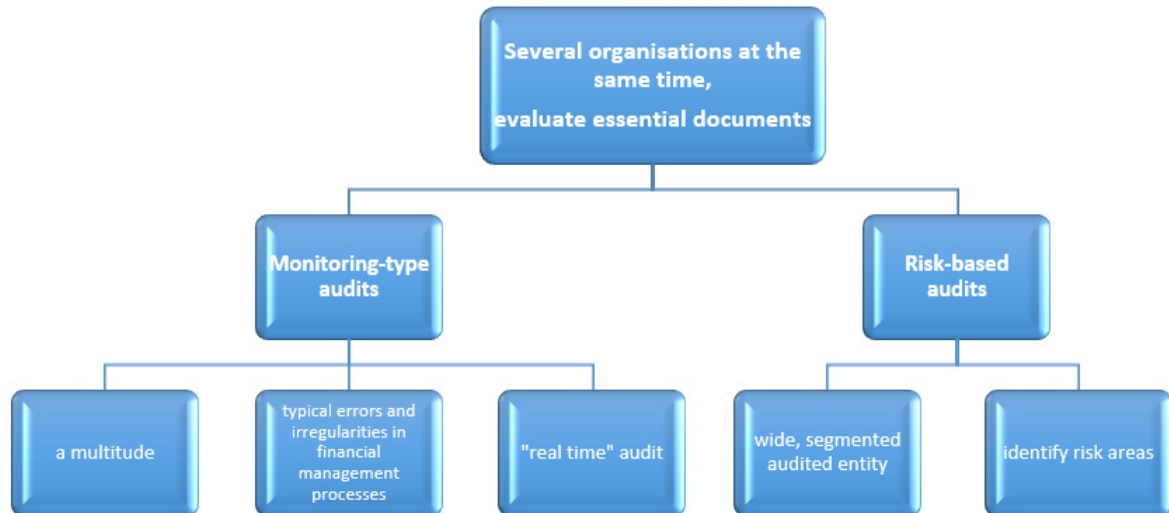
Applying new audit technologies at the SAO – Way to the monitoring and risk-based type audit

The improvements made during digitalization and data request in the SAO’s audits resulted the development and introduction of monitoring-type and risk-based audit methods. With the new approach audits, the SAO simultaneously evaluates the important areas of responsible management, accountability and transparency at several audited organizations. All this contributes to the increasement of the audited organizations, and also to fix the general improvement of the public finance situation and accountability.



Within the framework of monitoring-type audits, the SAO evaluates the relevant documents concerning a multitude in order to identify the essential features, typical errors and irregularities inherent in the financial management processes and their regulation for the audited period. By performing the „real time” audit it will be possible to correct the detected mistakes and irregularities in the current year.

Risk-based audits make possible for the SAO to obtain an objective picture of the risk areas at organizations by grouping them on the basis of the same characteristics and evaluating the relevant documents. Based on the results of the audit, the attention of the the audited organization’s managers can be drawn to these areas in order to eliminate the mistakes, and contribute to the improvement of the public finance situation.



Utilizing the advantages of the applied approach, the SAO was able to react extremely quickly and efficiently to the situation caused by the COVID-19 pandemic. The institution had appropriate safety basic IT infrastructure enabling to work remotely. The digital preparedness

of our employees as well as the development of digital communication channels towards the stakeholders, furthermore the digitalization based audit methodologies all contributed to the efficient performance of our audit work in Hungary.