

## **Modern challenges for SAIs' capacity building**

### **Responsibilities of Supreme Public Authorities arising from challenges of UN General Assembly Resolution A/66/209 of 22 December 2011**

#### **The European Court of Auditors' perspective**

The European Court of Auditors (ECA) has a unique perspective. It is the INTOSAI's only member whose core role is to audit a supranational body – the European Union (EU). It audits the income and expenditure of the EU, contributes to improving EU financial management and acts as the guardian of the financial interests of the EU's citizens. It examines whether financial operations have been properly recorded and legally and regularly executed, and whether the principles of economy, efficiency and effectiveness have been observed. ECA performs a considerable part of its work in the EU's member states, where most of the funds are spent and EU policies are implemented.

ECA and EU member states' supreme audit institutions (SAIs) cooperate on a wide range of audit related issues, mostly under the umbrella of the Contact Committee, whose history goes back to the early 1960s.

## **The United Nations' resolution on strengthening SAIs**

The United Nations' (UN) General Assembly Resolution A/66/209 on the strengthening of SAIs is the most significant recognition yet of the value of the work of public auditors and the importance of the SAI community to good public governance.

The UN recognised the key prerequisites of SAIs' work – the need for independence from audited entities and protection from outside influence. Other elementary principles were supported by encouraging the UN's member states to apply the Lima and Mexico declarations.

The resolution recognises that SAIs' work in promoting the efficiency, accountability, effectiveness, and transparency of public administration makes an important contribution to the achievement of both national development objectives and internationally agreed-upon development goals, including the Millennium Development Goals.

Such recognition by the UN of the importance of the role and work of SAIs also underlines the responsibilities incumbent on all INTOSAI members to strive to meet the legitimate expectations of stakeholders.

How does the ECA fulfil its role in view of the UN resolution? This paper outlines how the ECA, in following its recently adopted strategy for the next five years (2013 – 2017), intends to promote efficient, effective, accountable and transparent public administration of an evolving EU. It also details the work the ECA has done in recent

years with respect to the audit of the EU's contribution to the achievement of the Millennium Development Goals (MDGs).

### **The strategy for 2013 – 2017**

With each new development in EU governance the ECA's audit environment becomes more complex. In this context, the ECA has identified its key objective for the period until 2017 as to **maximise its contribution to EU public accountability**. For the ECA "public accountability" for financial management incorporates the notion of transparency and is the key driver of long-term improvements in the efficiency and effectiveness of the raising and use of public funds put at stake to meet the EU's objectives.

The EU and its member states have taken, and continue to take, wide-ranging measures to mitigate the effects of the global economic and financial crisis that began in 2007. At the same time, the EU is also addressing the challenges of applying the new provisions of the Lisbon Treaty, achieve the objectives for growth set out in its Europe 2020 strategy, and preparing for the Union's next financial programming period to run from 2014 to 2020.

As a result, there have been important changes in the EU-level frameworks for deciding on and managing public finances. In particular, the ECA will need to take account of newly adopted legislation and treaties on strengthening economic, fiscal and financial surveillance. In particular, Member States have established new intergovernmental treaties and agreements outside the framework of the Treaty on the Functioning of the European Union (e.g. the Fiscal Compact and the European

Stability Mechanism treaty), which nevertheless provide specific roles for certain EU institutions audited by the ECA. In addition, the new 2014+ programming period will introduce new extra-budgetary measures for funding, new financial instruments and possibly changes in the structure of EU revenues. All will have significant financial management implications.

As the EU develops its capacity to deal with the global challenges it faces, so too must the ECA develop its own capacity to respond to the resulting changes in the way public funds are put at stake to meet EU objectives. In line with the results of the XX INCOSAI in Johannesburg, the Court subscribes to the view that SAIs should strive to be recognised as *model public sector organisations* in their jurisdictions. This means efforts to promote sound management in the public sector should begin at each SAI's door. To build its own capacities over the coming five years, the ECA has defined five priorities which reflect the key challenges it faces.

### ***Focusing the ECA's products on improving EU accountability***

Audit reports, opinions and observations will become ever more focused on enhancing public accountability, financial management as well as the implementation and impact of the EU budget. Particular attention will be given to updating existing products and devising new ones, to better help policy makers strengthen the design of EU policies and spending programmes.

### ***Working with partners to leverage the ECA's contribution***

As article 1 of the Lima declaration reminds us, auditors do not work in isolation; audit is part of a regulatory system involving other actors sharing the objective of good governance, accountability and transparency for public finances. The ECA's main partners (and users of its products) are the EU and national authorities responsible for public oversight of the use of EU funds, its auditees (mainly the European Commission), and other auditors of EU funds. Development of relations and enhanced cooperation will be targeted, especially with EU member state SAIs.

The value of the ECA's contribution to EU accountability depends to a large extent on the use made of its work by these partners. Once the needs and priorities for improving accountability have been identified, the ECA plans to achieve synergies between its own activities and those of its partners. This should facilitate the use of its audit results not only for accountability purposes but also in policy making and budget allocation. In addition, the ECA wishes to use its unique perspective and audit experience to continue contributing to the development of international auditing standards on financial, performance, compliance and environmental audit.

### ***Developing the ECA further as a professional audit institution***

A prerequisite for the ECA's ability to deliver high quality work is to apply the key principles outlined in the UN resolution and to further develop these principles internally. These include updating the ECA's audit policies and quality control arrangements to reflect developments in international standards and good practice.

Peer review is a powerful tool for driving institutional development. Therefore, the ECA is submitting itself to a second peer review, which is currently under way and expected to be completed by the end of 2013. The SAIs of France, Germany and Sweden are assessing the ECA's performance audit practices, as well as undertaking a follow-up of the recommendations of the first peer review undertaken in 2008.

### ***Making best use of the ECA's knowledge, skills and expertise***

The collective knowledge, skills and expertise of ECA's staff are its principal asset and the basis for its added value. But in order to increase added value for stakeholders, the ECA is keen to seize the opportunities provided by modern technologies and organisational models that promote the sharing of information internally, in particular about relevant external EU developments and their potential audit implications. This will also help to ensure the ECA's work and products best reflect risks, public interest and the potential for the ECA to contribute to EU accountability. Closing the circle, a series of measures are planned to enhance knowledge sharing, team and staff capabilities. and to streamline work processes to enable the ECA to be even more responsive to external developments and the changing needs of its stakeholders.

### ***Demonstrating the ECA's performance and accountability***

SAIs place great store by adhering to the principles of accountability and transparency – they are prerequisites for being an SAI. To demonstrate internal organisational efficiency the ECA has decided to enhance its performance indicators

for measuring, monitoring and communicating on the implementation of its strategy. The ECA plans to measure impacts achieved by reviewing the follow-up given to its reports and opinions and feedback given by stakeholders. The professionalism of the products themselves will be assessed by external experts. Staff's excellence and efficiency (e.g. skills, competencies) and the use made of them will also be measured.

In respect of accountability for the EU funds it receives, the ECA will further develop its public reporting on the quality of its financial management and the actions undertaken to improve the public service it provides to EU citizens.

### **Auditing the EU's development spending**

An important part of the work of the ECA is centred on the audit of the activities of the EU as a global partner – its development activities. In particular, the EU has prioritised contributing to the Millennium Development Goals (MDGs) of the UN, not least in its Europe 2020 Strategy. This priority of the EU is strongly reflected in the work of the ECA.

The MDGs have been adopted to eradicate poverty and hunger, improve access to education and healthcare, to promote and ensure gender equality and environmental sustainability. The EU is a major supporter of the UN's plan to achieve the objectives by 2015, and has taken a number of measures in its Europe 2020 Strategy to achieve them.

More than 50 % of money spent on helping countries in need comes from the EU and its member states, which makes the EU the biggest aid donor in the world. In the

2007 – 2013 financial framework period the EU has assigned almost €56 billion (5.7 %) of its overall budgetary expenditure to external action. Another almost €23 billion have been allocated to the 10<sup>th</sup> European Development Fund (2008 – 2013).

EU taxpayers want to be assured that their money spent on development, humanitarian and other projects outside the EU has an impact. The ECA fully supports these expectations, with one of its four audit chambers devoted entirely to auditing external actions.

Similar to the audit of the EU budget spent in the EU, the ECA works to ensure that development aid expenditure it is not only legal and regular, but that it also meets appropriate standards of economy, efficiency and effectiveness. For example the ECA has in recent years carried out four performance audits undertaken in the sub-Saharan region related to the MDGs:

- the European Development Fund contribution to a sustainable road network in sub-Saharan Africa (special report 17/2012);
- EU development assistance for drinking water supply and basic sanitation in sub-Saharan countries (special report 13/2012);
- EU development assistance for basic education in sub-Saharan Africa (special report 12/2010);
- EC development assistance to health services in sub-Saharan Africa (special report 10/2008).

More audits related to development as well as humanitarian aid are planned in the new programming period. To ensure the quality and impact of its audit of external



aid, a systematic follow-up of the action taken on audit findings and recommendations has been planned.

These and all the ECA's other audit reports are available on the ECA's website ([www.eca.europa.eu](http://www.eca.europa.eu)) and may be ordered from the EU's Publications office. ECA's work can be also followed via its Twitter account at @EUauditorsECA.

## **Conclusion**

UN General Assembly Resolution A/66/209 recognises the position of INTOSAI in the global governance framework and underlines the importance of the mission of each SAI in its specific jurisdiction to improve public administration. The ECA, as the auditor of a supranational body, is particularly conscious of the responsibility this entails in the context of a fast developing world. To meet this challenge, the organisation has adopted an ambitious strategy to maximise its contribution to improving accountability to EU citizens - a necessary condition for better EU governance. In this context, the ECA has also renewed its commitment to using public audit in the coming years to maximise the value of the EU's contribution to meeting the Millennium Development Goals to the benefit of some of the world's most vulnerable citizens.