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Management Integrity, Accountability and 'Tone at the Top'**

Tribunal de Cuentas (Spain)

Spanish Court of Audit

**"The participation of the Spanish Court of Audit in the reform of
the system of accountability"**

1. Introduction

Advanced democratic societies show a growing interest of citizens to know and participate actively in matters relating to public management. The traditional conception of the citizen as a customer of public services must be considered surpassed by that which considers the citizen as a subject entitled to rights and to whom the public authorities must provide timely satisfaction.

In this context, and in relation to the economic and financial activity of the Public Sector, the role played by Supreme Audit Institutions (SAIs), such as the Spanish Court of Audit, is essential to the extent

that they carry out their audit activity over one aspect of the economic reality that presents great relevance and high complexity.

The seriousness of the international economic and financial crisis in recent years makes it necessary to strengthen the audit activity of SAIs, which has been criticized by the media and society. Citizens need to know to what extent public policies and the budget programs implemented, in addition to complying with the legality, have been effective and efficient for the achievement of the aims pursued.

Audit institutions must redouble their efforts in times like the present, the examination of governance both in its implementation and results being of the utmost importance, while ensuring greater austerity in the use of public resources. In addition, the work of SAIs should include new fields of action, such as, *inter alia*, control of the various public measures of stimulus of economic activity and strengthening of the financial system, which have entailed the use of a very significant amount of public funds.

It is necessary to strengthen the trust of citizens in the supervisory bodies and this can only be achieved through better compliance with their purposes, which will result, in turn, in a better operation of the public administration subject to control.

2. Transparency and accountability

An essential element to improve the control over the public financial and economic activity relates to the transparency of management,

which implies the maximum accessibility to financial information of public entities.

Transparency is a strategic objective, necessary to achieve a public administration open to citizens which informs, as widely as possible, about the decision-making process, the implementation of public policies and the results of its management, through regular, comparable and accessible information.

A basic tenet to achieve this transparency consists in establishing an adequate system of accountability, allowing audit institutions to verify if those responsible for managing public assets have conducted proper and satisfactory management and, if necessary, to proceed to demand appropriate responsibilities.

These principles of transparency and accountability do not only facilitate the auditing work of SAIs, but they also provide society with reliable and relevant information on the activities carried out by public officials, allowing citizens to directly exercise a real social control over public institutions.

With regards to all that has been mentioned above, it is necessary to refer to the reform in the system of accountability that has been carried out in Spain in recent years, a process in which the Court of Audit has had an active participation in its design, implementation and development, especially in the area of the Local Government, to which a special mention will be made later. The improvement in the accountability of Local Entities culminated with an even more ambitious project, the so-called Accountability Website, aimed at

achieving maximum transparency by making the information on the accounts rendered by the Local Public Sector available to all citizens.

3. The reform of the accountability system

In order for the SAIs to exercise their control functions, the establishment of a proper system of accountability of Public Sector Entities is required.

In recent years a decisive step has been taken in this regard by incorporating the Information and Communication Technologies (ICT) to the accountability process. This has allowed, not only the speeding up of the process by which public managers show the results of their management, but it has also facilitated in a great measure the realization of audit actions on the rendered accounts.

In the case of Spain, there has been a significant reform in the system of accountability of public entities over the past 10 years, owing to the widespread use of ICT in the submission and subsequent audit of the accounts.

The traditional paper format in which the accounts were submitted involved a laborious process of formal review and recording on computer, which caused delays and a greater difficulty in carrying out the audit activity on the accounts, as well as disadvantages regarding their storage and safeguarding.

In the area of Central Government, the incorporation of all the State Public Sector Entities into the accountability system by computer and electronic means ended approximately a year ago, while in relation to the Regional Public Administration the process of implementation of ICT for accountability presents a longer delay and a high heterogeneity.

With regards to Local Government, the reform of the system of accountability deserves a special mention, as in this area a decision was made to use the new technologies to their full extent in order to overcome the serious shortcomings that the traditional procedure of accountability presented, in which the Court of Audit played a key role.

Accountability of Local Entities

The problems mentioned above in relation to the traditional paper-based accountability system were considerably magnified with relation to the accounts of Local Entities, due to a number of factors:

(a) The Spanish Local Public Sector consists of a large number of Entities (to be precise, more than 13,000), most of them City Councils (municipalities) that have substantial differences in their size and resources and the characteristics of their financial and economic activity.

(b) Traditionally, Local Entities either had, in general, a very low level of accountability, due in part to the insufficient means available, or they submitted their accounts with significant deficiencies.

(c) The audit of the accounts that were rendered on paper was very laborious, considering the large number of entities and organisations required to submit the accounts and the extensive documentation that incorporated them. All documents had to be recorded manually and thorough checks were conducted only on a small number of accounts. In fact, there was a significant amount of accounts rendered that were subject only to a formal review.

(d) Both the Court of Audit and the Regional Audit Institutions (in those autonomous communities or regions that have these audit institutions¹) are competent for the audit of Local Entities accounts. This simultaneous competence gave rise to difficulties and problems for accountability of the Local Administration and for the audit of the accounts rendered.

In 2003 the Court of Audit reported to the Spanish Parliament that there were problems regarding the accountability of the Local Public Sector and informed about the possible legal and administrative solutions that could be adopted in order for the Local Entities to render their accounts complete and within the legally established deadlines. In particular, the introduction of computerized procedures that would facilitate accountability was proposed.

The Court of Audit took the initiative to improve the system of accountability of Local Entities, having the collaboration of the

¹ Nowadays, Regional Audit Institutions have been created in 13 of the 17 Autonomous Regions existing in Spain.

Spanish Government, through the management centre of public accounting - the General Comptroller of the State Administration (IGAE in Spanish)-, and most of the Regional Audit Institutions, setting up collaboration agreements with them.

In these agreements, measures were taken to facilitate that Local Entities could comply, through a single action, with their obligation of accountability, both to the Court of Audit and to the respective Regional Audit Institution, besides adopting uniform audit criteria over the accounts rendered to avoid duplication of actions and possible discrepancies.

Also, the Spanish Court of Audit approved rules for establishing the compulsory rendering of accounts of Local Entities in electronic format and using telematic procedures. This involved a considerable effort, both for Local Entities and for the Court of Audit itself, to facilitate the transition from paper-rendering to the implementation of new computer systems.

A Communication Plan (to inform Local Entities of changes in the accountability system), a Training Plan (to raise awareness of the use of the new means of accountability, by providing courses to internal and external users) and a Support Plan (including the establishment of a Customer Care Telephone Centre and a technical assistance service to Local Entities) were set up to support the process of the changeover to this system.

The outcome of this project is the implementation of the Platform for Accountability of Local Entities used by the Court of Audit and the Regional Audit Institutions that signed the corresponding collaboration agreements. It is a web application that can be accessed both by Local Entities, to proceed with the rendering of accounts, and by the Court of Audit and the above mentioned Regional Audit Institutions, for the reception, validation, examination, and exploitation of these accounts, that is, for their audit.

One of the advantages of this new telematic accountability mechanism, in addition to greater security and speed of access to the accounts rendered and the facilitation of their audit, is that it applies a series of validation rules which reveal, even before the accounts have been rendered, the existence of deficiencies, inconsistencies or inaccuracies in the information rendered, as well as whether there is any compulsory documentation missing or incomplete.

In this way, those responsible for rendering the accounts at the Local Entities can identify the main deficiencies the accounts have before submitting them and, therefore, they can rectify them before the actual accountability takes place. Should they choose to render them with deficiencies, they can provide the appropriate justifications in an editable electronic form.

The above ensures that all accounts are subject to the same basic checks, which may give rise to the issue of the necessary communications for the rectification of the deficiencies identified. Of

course, this does not preclude any rendered accounts from being subject to additional verifications according to the decision of the respective supervisory body in the exercise of its audit function.

However, the system of accountability via telematic means does not ensure compliance with the obligation of accountability by all entities. Indeed, during the first years of implementation of the Platform for Accountability of Local Entities, the level of accountability remained fairly low, partly explained by the difficulties involved in adopting the new procedure of submission, which is known as resistance to change.

This circumstance forced the Court of Audit to take measures to improve the level of accountability throughout the national territory, including the reinforcement of training and support to users of the Platform, as well as the application of the coercive measures established in the legislation, such as the issue of restraining orders urging the rendering of accounts and, if non-compliance continues, the imposition of a penalty. These fines levy on the personal assets of those responsible at the Entities for not rendering the accounts and, in addition, they can be imposed repeatedly until the accounts are finally submitted, even though the amount is not significant (from 60 to 900 euros). The Court of Audit has recently proposed to Parliament updating the amount of these fines, which requires the amendment of the regulations governing the Court of Audit.

The final outcome of this process has been clearly satisfactory, since the level of accountability has increased considerably in the field of the Local Public Sector, which presented serious deficiencies in this aspect. In addition, the information rendered has improved with regards to its integrity, coherence and homogeneity, and the fact that it is submitted in electronic form, greatly facilitates the supervisory work of the different bodies of external control. Also, basic checks, common to all accounts, have been designed, thus guaranteeing a minimum level of verification of the information rendered, notwithstanding the additional audit actions deemed appropriate.

Although the above result more than justifies the work, it is necessary to make a special mention of the Accountability website, also known as the Citizens' Website, a project which has resulted in a significant step forward in the transparency of public administration.

4. The Accountability Website

As already indicated, the considerable effort made for the implementation of the Platform for Accountability of Local Entities hasn't been limited to the improvement of the audit of the public accounts, but it has also gone further to promote transparency of the management of the Local Public Sector, making use of the information of the accounts rendered so that it is available to the citizens.

Once the electronic submission of the accounts of Local Entities was established, the Court of Audit adopted measures to make the information concerning the degree of accountability compliance fully accessible, as well as the contents of the accounts rendered. This information can be accessed through the Accountability Website (www.rendiciondecuentas.es).

The Citizen's Website does not only put information concerning the accounts of Local Entities at the disposal of anyone, but it does so in a way that is accessible and transparent, which adds great value to this tool.

The Website allows checking any Local Entity account, providing financial, assets and budgetary information on its activity. Among other things, it provides information on the resources obtained in each period, from taxes or any other source of income, and the use given to such resources through the expenses incurred, and the financial position of the Entity at the end of the financial year. In addition, it includes an Observatory of Accountability, through which information on the state of accountability of any Local Entity or set of them, classified by financial years, type of entity and geographical area, can be found.

The Citizens' Website provides access to all the information available in an orderly and intuitive way, collecting data from the accounts in an organised way according to certain parameters, including appropriate explanations to facilitate their interpretation.

Initiatives such as this represent a change in the performance of audit institutions, since, in addition to auditing the economic and financial activity of the Public Sector, information on the accounts and management is made accessible to the citizens, in a free and unconditioned way.

The Accountability Website has been designed as a very useful tool for society, the ultimate beneficiary of the work of external audit institutions, contributing to the transparency of the accounts of Local Government, in order to allow citizens to exercise control over their legitimate representatives.

The project that culminated in the implementation of the Citizens' Website has been recognized internationally, having been nominated in its final phase at the 2012 United Nations Public Service Awards. These Awards recognize global excellence in the Public Sector and, thus, they become an instrument to promote the culture of innovation, partnership and awareness in public administration.

Recognition by the United Nations, after successive phases in competition with other projects around the world, is an endorsement of the work done by all those involved in the design, implementation and development of the Accountability Website.

5. Conclusion

The process of reform of accountability of public entities, incorporating new technologies, has led to a substantial improvement in terms of both the exercise of control by the external audit institutions and the transparency of public financial and economic activity.

The Spanish Court of Audit, being aware of the advantages of the use of new technologies in the accountability system, strongly supported the modernization of reporting procedures, taking a decisive role in the initiative, design and implementation of the submission of accounts using computer and telecommunication systems in the area of Local Government.

In this sense, the Telematics Platform for Accountability of Local Entities has resulted in a considerable improvement in the levels of accountability, in the verification processes and in the control of the accounts rendered, and it allows those responsible at the Entities to submit their accounts to the Court of Audit and, if necessary, to the relevant Regional Audit Institution, in a single action.

Through the telematic accountability system of the Local Government, a substantial improvement in the control of this area of the Public Sector has been achieved, whereas in the past there was a low level of accountability and a very heterogeneous degree of

control of these entities, and a set of checks common to all accounts rendered has been established.

However, the Court has gone beyond the establishment of the telematics rendering of accounts of local entities, taking advantage of the effort made in that area and implementing an Accountability Website, through which anyone can have access to the contents of the accounts rendered by the Local Entities and their status of accountability, all this in an accessible and organized manner, which decidedly contributes to greater transparency in public management, as demanded by society today.

In short, the strong commitment to the use of new technologies in the mechanisms of accountability and auditing, as well as the improvement of the rates of accountability and the quality of the accounts received, has increased the transparency of public financial information, and it's now time to consider the challenge of extending the benefits of this new system to the whole of the Public Sector accounts in the future.