



2008

No. 14

European Organisation of Supreme Audit Institutions

EUROSAI

VII Kongres Kraków 2008



VII EUROSAI CONGRESS
Krakow (Poland), 2-5 June 2008

ISSN: 1027-8982

ISBN: 84-922117-6-8

Depósito Legal: M. 23.968-1997

EUROSAI magazine is published annually on behalf of EUROSAI (European Organisation of Supreme Audit Institutions) by the EUROSAI Secretariat. The magazine is dedicated to the advancement of public auditing procedures and techniques as well as to providing information on EUROSAI activities.

The editors invite submissions of articles, reports and news items which should be sent to the editorial offices at TRIBUNAL DE CUENTAS, EUROSAI Secretariat, Fuencarral 81, 28004-Madrid, SPAIN.

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The magazine is distributed to the heads of all the Supreme Audit Institutions throughout Europe who participate in the work of EUROSAI.

EUROSAI magazine is edited and supervised by Manuel Núñez Pérez, EUROSAI Secretary General; and María José de la Fuente, Director of the EUROSAI Secretariat; Pilar García, Fernando Rodríguez, Jerónimo Hernández, and Teresa García. Designed and produced by *DiScript, S. L.* and printed by *Star Press*. *EUROSAI* magazine is printed on environmentally-friendly, chlorine-free (EFC) 110 gsm coated art paper which is bio-degradable and can be recycled.

Printed in Spain - Impreso en España

The opinions and beliefs are those of the contributors and do not necessarily reflect the views or policies of the Organisation.

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Editorial

Dear Colleagues,

I am pleased to have the opportunity to address you a few words from this forum that regularly brings us together. I would like to take this occasion to make some reflections on the event of special significance that got us together this year, the VII EUROSAI Congress; held in June under the splendid organization of the Supreme Audit Institution (SAI) of Poland, the Najwyższa Izba Kontroli.

I would first like to reiterate here, on behalf of EUROSAI Members, the congratulations to the President of the mentioned SAI, Mr. Jezierski, for his appointment in said Congress as President of our Organisation, wishing him a very fruitful and successful mandate. I would also like to cordially thank the President of the SAI of Germany, Dr. Engels, for the great work done during his three years as EUROSAI President and congratulate him on the momentum that his initiatives, his personal and professional attitude, and his dedication have meant. It has been an honour for the EUROSAI Secretariat and for the ones who have served as General Secretaries during this period, Mr. Ubaldo Nieto, to whom I would also like to dedicate a special mention and thanks for his ten years of painstaking performance, and for myself, to have such a valuable collaboration.

The VII EUROSAI Congress has shown the maturity of our Organisation to address the analysis and discussion of issues of common interest to contribute, from the performance of each SAI mandate, to improve the management of public funds. The Themes chosen for this Congress, establishing an audit quality management system within a SAI, and auditing social programmes in the fields of education and professional integration of disabled, led to interesting presentations and exchanging of experiences. The Conclusions and Recommendations resulting from the presentations, study cases, contributions and oral statements made during the Congress showed the high technical level of the debate. The exchanges of knowledge and experiences contribute, no doubt, to discussion, critical analysis and mutual enrichment; as assessing problems and sharing eventual solutions reveal that we are operating in common areas with shared challenges.

EUROSAI provides a clear framework, a large open space for the promotion of cooperation and professional exchanges. Our Organisation has made obvious efforts and achievements during its eighteen years of existence. It is clear the value added by EUROSAI to SAIs in the development of its activities leading to approach action strategies and share experiences that would lead towards the harmonization of auditing procedures and standards, and to design common guidelines and best practices to make audits more useful and with greater impact.

But EUROSAI does not only provide a complement to our SAIs through exchanges, but it has also emerged as an operational unit itself. As an Organisation, it has set up internal structures such as the Training Committee, Working Groups and Taskforce. It has also established and strengthened relationships among its Members, with INTOSAI and its Regional Organisations, with IDI, SIGMA, and other external partners with whom it shares interests; acting under a sole individuality.

EUROSAI has also assumed a major commitment to training. The VII Congress adopted the Strategy for 2008-2011, based on the previous three-year one and designed taking into account a detailed assessment of the performance and results of the training strategy 2005-2008. The new Strategy is founded on three priorities: to provide training to SAI staff so that they are able to develop and maintain the skills and experience necessary for the discharge of their functions, to encourage the sharing of knowledge and experience so that SAIs in the Region are able to access best practice in the field of public sector audit, and to contribute to institutional development to build strong, independent and multidisciplinary SAIs.

Each EUROSAI Congress represents a further step in strengthening the Organisation and its Members as constituent of a whole. On one hand, exciting and new horizons and prospects are opening up before us; but, on the other hand, obligations and tasks to achieve them must be also addressed. Let's assume, fully committed, the challenges proposed by the VII Congress. This responsibility will require an effort on our part but it will offer us in return, from the solid platform that cooperation provides, a valuable pillar for a more effective contribution to improving public funds management.

I would not like to end these words without expressing the availability of the EUROSAI Secretariat to all, as well as the most sincere thanks to the contributors who have made possible the publication of this issue of the EUROSAI Magazine. I would also wish to offer this meeting point, whose fundamental mission is to serve as a vehicle for information, communication and cooperation among the Members of our Organisation, to all those who wish to contribute to this common task.

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



EUROSAI News

VII EUROSAI CONGRESS¹, Kraków (Poland) 2-5 June 2008



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On 2-5 June 2008 the Polish SAI (NIK) hosted VII EUROSAI Congress in Kraków.

57 delegations – in total 229 guests - participated in the Congress, which included 48 EUROSAI member SAIs and delegations from AFROSAI, ARABOSAI, ASOSAI, OLACEFS, EURORAI, IBAN, INTOSAI Journal on Government Auditing, OECD / SIGMA, and IDI.

Day 1 – June 2nd

In the morning, EUROSAI Governing Board Members gathered at their XXXIII meeting.

At the opening session of the Congress, Prof. Lech Kaczyński, President of the Republic of Poland, had an inaugural address to delegates at the official Opening of the Congress.

Mr Jacek Jezierski, President of the SAI of Poland, took over the presidency of

the EUROSAI Governing Board from Professor Dieter Engels, the President of German Bundesrechnungshof.

In the afternoon, at the first plenary session of the Congress, chaired by Mr Jacek Jezierski, after introducing theme Rapporteurs and Chairpersons of Theme sessions of the Congress, delegates discussed and approved the General Secretary's Report on the Activities of EUROSAI 2005-2008, the accounts and the financial reports of EUROSAI 2005-2007, EUROSAI Auditors' Reports for 2005-2007 and the EUROSAI Budget for the period 2009-2011. A report was also presented on the new Members incorporated to EUROSAI in 2005-2008 (Israel and Montenegro).

Day 2 – June 3rd

Theme Session 1, “**Establishing an Audit Quality Management System within a Supreme Audit Institution**”,

¹ By the Polish Supreme Audit Institution (NIK).

was co-chaired by Dr. Árpád Kovács, the President of the SAI of Hungary, and Mr Jacek Jezierski, with speakers from the SAIs of Hungary, ECA, Bulgaria, Malta, Denmark, the Russian Federation, Sweden, Switzerland, Germany, France, Latvia. Before the Congress 32 SAIs delivered their Country Papers for discussions.

- The speakers discussed a variety of possibilities of how SAIs can strengthen audit quality management in their organisations. Based on the discussed issues concerning the establishment and operation of an audit quality management system within an SAI, the Congress recommended that one of main objectives of each SAIs should be the assessment and continuous improvement of their audit quality management systems. In addition, it was decided to develop a good practices guide on audit quality be drafted in 2009 by a respective EUROSAI working group, chaired by Hungary.

Theme Session 2, “**Audit of Social Programmes – Audit of Programmes in the Field of Education**”, was co-chaired by Mr Guilherme d’Oliveira Martins, the President of the SAI of Portugal, and Mr Józef Górny, Vice-President of the Polish NIK, with speakers from Portugal, Estonia, France, Sweden and Ukraine. Before the Congress 32 country papers were delivered for discussions.

- All the speakers highlighted the fact that education is a key priority for every state, and therefore remains a priority area for all SAIs. Despite diversity of all European countries, SAIs face many similar challenges in auditing the effectiveness and legality of public expenditure on education. Therefore, it was decided that the extent of audits on education related topics should be relative to the scale of public expenditure on specific publicly funded programs. There was a number of audit methods and audit topics proposed, i.a. ‘barriers to accessing high quality kindergarten education’, or ‘education initiatives designed to meet the needs of specific sectors of society, namely the disabled, the unemployed and offenders’

Day 3 – June 4th

Theme Session 3, “**Audit of Social Programmes – Audit of Programmes for Professional Integration of the Dis-**



abled”, was co-chaired by Mr Martin Sinclair, Assistant Auditor General from the SAI of the United Kingdom, and Mr Marek Zająkała, Vice-President of the Polish NIK, with speakers from the UK, Sweden, Switzerland and Poland. 28 SAIs delivered their country papers for discussions during that session.

- Two of the speakers were guests from the outside of EUROSAI: Mr Chris Brace from the British NGO “RADAR” and Mr Sławomir Piechota, the Chair of the Polish Parliamentary Committee on Social Policy and Family. All the speakers emphasized the fact that all the governments should always recognise the many benefits of integrating disabled people into the workplace. Therefore, the level of Government spending, the social importance of the programmes and the inherent risks such as the difficulty of establishing eligibility for support, make this an important area for scrutiny by SAIs. It was recommended that when planning their audit work, SAIs should take account of the particular materiality, risk and sensitivity inherent in programmes to promote the professional integration of the disabled, as well as should always consider obtaining first-hand information from users of services or their representatives. A number of ways were recommended, in which SAIs should work with their national governments in this area.



Day 4 – June 5th

At the second plenary session, chaired by Mr Jacek Jezierski, the Congress passed the “Kraków Conclusions and Recommendations”, which has been published in full at the Congress website (www.eurosai2008.pl).

The SAIs of Ukraine and Turkey were designated by the Congress as new members of the EUROSAI Governing Board. Also, Congress participants were presented Activity Reports of EUROSAI Working Groups, as well as agreed to establish the EUROSAI Task Force on “Audit of Natural, Man-Caused Disasters Consequences and Radioactive Wastes Elimination”. Various aspects of EUROSAI cooperation with ARABOSAI, OLACEFS and IDI were presented. The chairmanship of the Working Group on Environmental Auditing was handed over by the Polish NIK to the SAI of Norway, whereas the SAI of the Netherlands passed the chairmanship of the IT Working Group to the SAI of Switzerland.

The Congress unanimously accepted the offer of the Portuguese SAI to host VIII EUROSAI Congress in 2011.

In his closing speech, Mr Jacek Jezierski stressed his great appreciation and gratefulness for the support and advice that his SAI received during the preparation of the Congress from the SAI of Germany, Spain, the Russian Federation and Hungary. He also thanked the chairs of the

Congress theme sessions, namely the SAI of Hungary, Portugal and the United Kingdom, and congratulated them on their excellent work.

After closing of the Congress, the XXXIV GB meeting was held.

Social programme

The day preceding the Congress, the delegates were invited to choose between a walking tour of the Kraków Old Town and a tour of the historical saltmine in Wieliczka. In the evening everybody was invited to dinner in the folk-style restaurant in Zalesie near Kraków, with folk music and dancing.

On Monday, 2 June, Mr Jacek Machrowski, the Mayor of Kraków, hosted a Cocktail for Congress participants in the manicured gardens of the Archaeological Museum.

On Wednesday, 4 June, Mr Jacek Jezierski invited his guests to an organ concert at the 13th c. Franciscan Basilica, and to the Congress closing dinner at the monastery of the Franciscan Fathers. held on Wednesday evening, were both the highlight of the social program for many delegates.

On Thursday, 5 June, after the Congress had been officially closed, the delegates were invited to listen to the concert of Fryderyk Chopin music by the pianist Joachim Mencil.



CONCLUSIONS AND RECOMMENDATIONS OF THE VII EUROSAI CONGRESS (Krakow, Poland, 2-5 June 2008)

Preamble

For nearly 20 years since its establishment in 1990, EUROSAI has encouraged and supported friendly cooperation among its members, the Supreme Audit Institutions (SAIs) within the region, in order to allow sharing of professional information, opinions and experiences. EUROSAI activities recognize, and draw on, the diversified environments and different regulato-

ry frameworks within which its members operate. Each SAI's independence and right to determine its own level of involvement at any point in time is also respected. Within this context the EUROSAI Congress provides an invaluable opportunity once every three years, for all EUROSAI colleagues to engage together to consider themes of current interest and common significance to the SAI community as a whole.

Development of Congress Themes

The VII EUROSAT Congress, organised in Krakow, 2-5 June 2008, considered three key Themes, as outlined below. For each Theme, the Theme chairs and assisting SAIs prepared a Principal Paper giving an overview of the theory and practice related to the topic and posing certain questions. EUROSAT members were invited to respond or comment on the points raised by the Principal Papers in the form of a written Country Paper, based on their own national perspective and experience. The Country Papers provided an important and wide ranging source of information and experience from which the Theme chairs and assisting SAIs prepared three Discussion Papers, one for each Theme.

Theme 1: Establishing an audit quality management system within a Supreme Audit Institution

In order to be effective in its external audit role, an SAI needs to have the trust of its national Parliament, public and other stakeholders. Audit quality is essential to achieving this status. Having systems that facilitate delivery of quality audits and results, being able to guarantee to do so consistently and being able to demonstrate that this has been done are all central to an SAI in achieving this goal.

Theme 1 was led by the SAI of Hungary with support from the SAIs of Denmark, Malta, Poland, the Russian Federation and the European Court of Auditors. In total, 33 SAIs contributed to developing the Theme 1 Discussion Paper.

Theme 2: Audit of social programs in the field education

Education is a key priority for every state, and therefore remains a priority area for all SAIs. Countries have widely differing education systems, and also vary widely in their approach to public spending on education related programs and initiatives. Despite this diversity, SAIs face many similar challenges in auditing the effectiveness and legality of public expenditure on education, and much can be gained from performing international comparisons of SAI approaches to auditing this important and complex area.



Theme 2 was led by the SAI of Portugal, with support from the SAIs of Estonia, France, Poland, Sweden and the Ukraine. In total, 33 SAIs contributed to developing the Theme 2 Discussion Paper.

Theme 3 Audit of social programs for professional integration of the disabled

Within the European Union and the OECD approximately one in seven people are categorised as disabled and in many countries the number claiming financial support due to incapacity is increasing. Governments recognise the many benefits of integrating disabled people into the workforce and all Governments have programmes to do this. The level of Government spending, the social importance of the programmes and the inherent risks such as the difficulty of establishing eligibility for support, make this an important area for scrutiny by SAIs.

Theme 3 was led by the SAI of the United Kingdom with support from the SAIs of Estonia, Iceland, Poland, Sweden and Switzerland. In total, 26 SAIs contributed to developing the Theme 3 Discussion Paper.

Congress Conclusions and Recommendations

Clearly the three Themes cover diverse subjects. The first Theme is related directly to the challenge facing an SAI to ensure that its work and outputs always meet the high quality standards that stakeholders expect. The second and third Themes deal with specific, key social policy areas where SAIs can and do make an impact and, based on a discussion of existing experiences and approaches, seeks to highlight areas for future consideration by SAIs in their national work in these areas.



During the VII Congress EUROSAI members discussed the analysis and key observations drawn together in the Discussion Papers, as well as additional information including presentations covering technical audit case studies from SAIs and alternative perspectives from external stakeholders. On this basis the Congress reached certain conclusions and developed several recommendations.

The Congress agreed that the recommendations and the brief exposition of the findings and conclusions that underpin each Theme (as presented in Annexes one, two and three respectively), provide useful signposts for colleagues and other interested parties who may wish to access the wealth and breadth of underlying detailed and technical information to be posted on the EUROSAI website. The information, knowledge and guidance available to SAIs in this way will be of great value to them when considering or carrying out work in the areas covered by the Themes of the VII EUROSAI Congress, held in Krakow, Poland in June 2008.



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ANNEX (1)

Theme 1: Establishing an audit quality management system within a Supreme Audit Institution

Conclusions

The Congress has developed the following main conclusions on how SAIs can strengthen audit quality management in their organisations

1.1 All participating EUROSAI members are concerned about audit quality issues. However, audit quality management practices vary considerably from country to country.

1.2 SAIs expressed their continued interest on issues regarding leadership and recognise that leadership is an essential element in an effective quality management system. The key message was that through good leadership, an organisation benefits from a clear definition of purpose, identity and direction.

1.3 The majority of SAIs emphasised that leadership should also give adequate

importance to communication at all levels. This is vital to direct an SAI's mission and goals, improve trust across the organisation, and promote professional knowledge.

1.4 Most SAIs have a strategic plan to respond to the changing audit environment and to the expectations of stakeholders. The majority of SAIs also carry out, as part of their strategic planning process, a comprehensive assessment of risks associated with the audit environment.

1.5 SAIs in many countries periodically monitor and review progress made in the implementation of their strategy. The vast majority of SAIs indicated that the fulfilment of their strategic objectives is evaluated through the implementation of the annual audit plan/programme. Some SAIs mentioned that they use performance indicators to measure the degree of the implementation of the strategy.

1.6 SAIs indicated that they either have, or are in the process of developing, policies and systems for human resource management. Most SAIs have also formulated specific plans and procedures for the recruitment and selection of employees, for the promotion and advancement of employees, for the organisation of staff training and development, and for performance appraisals. However, different practices are in place depending on the SAI's mandate, size, culture, resources, organisational setup and stage of development.

1.7 The majority of SAIs consider comprehensive human resource planning and monitoring is essential to ensure the efficient and effective use of staff, as well as more satisfied and better trained employees. In addition, these SAIs regard as vital the fair application of well-documented and communicated human resources policies and procedures, and the transparent treatment of staff.

1.8 SAIs consider continuous supervision and regular review by management or senior auditors during the audit process as the main measures for quality control. This also ensures that audit work is in accordance with established audit standards and practices. In the majority of SAIs, audit work is reviewed by an audit team, as well as by internal and/or external advisors.

1.9 SAIs have developed documents on their audit methodologies (e.g. guide-

lines, manuals and checklists) that are compliant with international and internal audit standards. These are used to support auditors in carrying out high quality audits. Furthermore, most SAIs provide other kinds of support to auditors during the audit process, including the introduction of information technology tools to staff and the hiring of external expertise.

1.10 SAIs recognise the importance of external relations as an independent source of information on the quality of the audit activities. SAIs have established and maintained regular contact and rapport with stakeholders, and have undertaken initiatives to obtain their feedback. Key stakeholders targeted by the SAIs are Parliament and its committees, audited organisations, media, the general public and professional organisations.

1.11 SAIs have various measures in place to monitor the outcomes of their audit activity and to obtain external feedback. The majority of SAIs track the degree of implementation of audit recommendations. This is done through follow-up audits and surveys with audited organisations. Other methods used by SAIs include the organisation of press conferences, the monitoring and analysis of media reports on SAIs, and the collection of information from the public through feedback forms on their websites.

1.12 Most SAIs seek to continuously develop and improve their audit quality management system by carrying out internal and/or external post-audit quality reviews. Some SAIs also carry out self-assessments. These processes are used by SAIs to enhance their quality management systems, as well as to determine the direction of further progress.

1.13 SAIs provide different opportunities for staff to submit constructive suggestions. Most SAIs take due consideration of these suggestions in the preparation of their strategic or annual plans/programmes, as well as during performance appraisals. In addition proposals and comments from staff are taken into consideration when compiling or updating documents related to methodology.

1.14 SAIs recognised the need to continue to focus efforts to achieve high quality audit work. The importance of learning from the experiences of the private sector

and other public sector organisations was emphasised. Good practices of other SAIs could also be emulated.

Recommendations

Based on the discussed issues concerning the establishment and operation of an audit quality management system within an SAI, the Congress makes the following recommendations:

2.1 SAIs are encouraged to further promote leadership. This can be achieved by ensuring that an SAI's mandate is incorporated into the organisation's mission and vision statements, its value framework, the code of conduct, and in its strategic and operational plans. In order to assess and monitor the implementation of these goals, SAIs could also consider the development of performance indicators that report on inputs, outputs, outcomes, efficiency and/or other measures.

2.2 SAIs should consider setting as an objective the assessment and continuous improvement of their audit quality management systems. On the basis of these assessments, SAIs could develop an action plan focusing on priority issues that would serve as a foundation for initiatives aiming at the improvement of audit quality. SAIs are ultimately encouraged to operate a total quality management system focusing on all the functions and processes of the organisation and on the orientation of all staff towards the achievement of high quality.

2.3 SAIs are encouraged to take further efforts to support their staff to achieve high quality standards. Further training and professional development programmes could be organised to encourage staff members to continually learn and develop new knowledge, skills and work practices. Internal communication could also be improved by effectively using different communication tools.

2.4 SAIs could make use of reviews conducted by external experts, including peer reviews. SAIs may also consider establishing an independent organisational unit dedicated to quality issues.

2.5 SAIs should consider the strengthening of relations with key stakeholders, including the Parliament and its committees, audited organisations, media, the



general public and professional organisations. SAIs are also encouraged to continue to develop their systems for the collection, evaluation and use of external feedback to enhance the quality of the audit activity.

2.6 The Congress supports the development of a good practices guide on audit quality to be drafted in 2009 by the working group. The draft guide will be submitted for comments by the Secretary General of EUROSAI to EUROSAI members. The final document will then be submitted to the EUROSAI Governing Board.

ANNEX (2)

Theme 2: Audit of social programs in the field education

Conclusions

Legal systems and expenditure

1. The fundamental and programmatic norms of most countries are set out in a Constitution;

2. The investment in Education ranges from 95 M€ to 116.000 M€ in the different countries, and the expenditure of the GDP varies between a minimum of 2% and a maximum of 8.5%;

Audits carried out in education

1. In the period 2004-2006, 109 audits were performed, and 93 are planned for the period 2007-2009;

2. The audit scope of most of the audits carried out was the financial procedures and the review of policies, and audits were particularly focused on Higher Education;

Selection of education-related topics

1. The most commonly used sources of information for selecting the audit topics is the follow-up that is made by the SAI itself, along with the statistical information available;

2. Compliance/legality and economy and efficiency are the most commonly used criteria for evaluating education-related issues;

Methods used in education-related audits

1. In terms of the methodologies adopted there are no substantial differences between the audits performed in the area of Education and in other areas;

2. All SAIs use document review as a key audit method, and a majority gather information through public opinion surveys;

Reporting of the findings to decision makers and beneficiaries of education-related programs in order to maximise the audit impact

1. The Internet is the most commonly used medium to report SAI findings and recommendations;

2. Parliament, the audited entities and the Government are the main recipients of the outputs of SAI work;

3. The evaluation of the impact of SAI work is made essentially through monitoring the implementation of recommendations;

4. The recommendations aimed at changing rules and regulations, as well as the dissemination of good practices are the main methods used to maximize the impact of audits.

Recommendations

Audit topic selection

1. The extent of audits on education related topics should be relative to the scale of public expenditure on specific publicly funded programs. The following potential audit topics have emerged as worthy of consideration on a more universal basis from our review of the detailed responses provided by SAIs:

a) barriers to accessing high quality kindergarten education, in particular those related to geographical location of service providers, parental financial capacity to cover school fees and the quality of kindergarten education services

b) the quality and effectiveness of education services and initiatives aimed at elementary and high school level, in raising education achievement levels and reducing drop out rates of students between 15 and 18 yrs of age



c) the quality of vocational education programs and initiatives and the extent to which these programs meet labour market needs and the demands for continuing education

d) education initiatives designed to meet the needs of specific sectors of society, namely the disabled, the unemployed and offenders

e) the quality of university level education, including issues around the effectiveness of management as well as provision of financial aid to students

2. In order to decide on the focus of audit themes, it is important to consider these programs in a European context as well as on a national level, using data and statistics available from information management systems worldwide. Audit themes should be selected that are particularly of parliamentary interest, and more specifically, of interest to key parliamentary committees, as far as possible.

3. The following risk areas could be considered by SAIs when selecting audit topics:

a) the materiality of public expenditure on a program, particularly where there have been significant changes in expenditure over the course of the program duration

b) complex management structures or unclear division of duties and responsibilities

c) incomplete or imprecise legal regulations

d) lack of existing program effectiveness indicators

e) programs involving local autonomy and public tendering and procurement processes

Joint or parallel audits involving several SAIs may be of particular benefit. Such audits should enable auditors to share experiences and evaluate education systems on a regional and even European scale.

Audit methods

1. It is important for SAIs to use or develop measurable and comparable performance indicators for specific programs, in evaluating the effectiveness of education policies or initiatives.

2. In addition to the more commonly used methods such as document/ file review, audits of education programs particularly benefit from using a number of other techniques, which might include: surveys of beneficiaries, interviews, reviews of internal audit work, focus groups and expert panels. Benchmarking is also seen as a key tool for comparing the performance of education service providers across regions/ countries.

3. Throughout the audit process, effective communication should be maintained with the auditee. This should include regular feedback on audit progress, as well as early discussions on initial findings. Maintaining a closer working relationship between auditor and auditee has shown to facilitate discussions and acceptance of post-audit conclusions and recommendations.

4. Taking on board work done by other national audit bodies where applicable, and working with them where appropriate, can provide many benefits. Their reviews will provide a very useful insight into the auditee's work, and using their results can avoid duplication of work on an area, which will also reduce the disruption caused to the audited entity personnel by distracting them from their core duties.

Reporting audit conclusions and post-audit recommendations

1. In order to ensure audit effectiveness, it is advisable to provide audit reports to the decision and policy makers, who can help ensure the implementation of post-audit conclusions.

2. Although the Internet is a popular and highly valuable medium for presenting audit results, it is also worth using other channels to communicate audit conclusions and recommendations.

3. One of the key ways used by some SAIs in evaluating their audit impact is monitoring of the actions taken as a result of post-audit recommendations. In practice, simply introducing a systematic monitoring process in an SAI should itself lead to greater implementation of post-audit recommendations.

4. The added value of education audits can be ensured through specific recommendations which lead to changes in regu-



lations governing education programs, as well as through wider dissemination of audit findings and identified good practice examples.

ANNEX (3)

Theme 3: Audit of social programs for professional integration of the disabled

Recommendation 1: In planning their future audit work SAIs should take account of the particular materiality, risk and sensitivity inherent in programmes to promote the professional integration of the disabled. They should also note the experience of many SAIs that such audits have produced significant findings, conclusions and recommendations.

In many countries the significant amount of government funding provided to promote the employment of disabled people makes the area one that merits audit attention. Added to this there are also a number of particular factors which increase the priority that SAIs might give to this subject. These include that improving the professional integration of the disabled is a sensitive issue that people hold strong opinions about and the public interest in such programmes might be high. Experience shows that the risks in such programmes may be correspondingly high. Firstly there is some evidence that, at the political level, governments may set targets that are ambitious – sometimes higher than anything that may have been previously achieved and may, in practice not be realistic or achievable. Secondly, there are often increased risks to delivery of such programmes such as the difficulty of challenging legacy systems.

Although governments will be looking to make good use of public funds in this as in any other area of spending, there may be circumstances in which normal expectations of performance (eg in sheltered employment) are tempered by a recognition of wider social benefits from helping disabled people. As a consequence, auditors have to use particular skill and judgement in assessing performance, particularly if their work could lead to it concluding that certain programmes were poor value for

money. In practice, audits by SAIs have confirmed that these difficulties, amongst other things, add to the risk that programmes can fail to deliver their intended benefits. Indeed some audits have found programmes to have significant weakness and very limited success.

Recommendation 2: In conducting their planning and carrying out their work SAIs should consider obtaining the views of users of services or their representatives.

SAIs have found significant benefits from obtaining the views of service users or their representatives. Such benefits include getting first hand information on how effectively programmes are working, information on the quality of the employment opportunity and experience which is not always measured by providers and in getting information about proposed developments in policy and administration. This can be achieved in a number of ways, for example surveys and contact with groups representing disabled people. Care has to be taken, however, that auditors retain their objectivity and independence and are able to evaluate particular services without becoming advocates for them in the political arena.

Recommendation 3: Where their statutory remit permits, SAIs should make full use of the opportunities for collaboration with other inspectors but must have arrangements in place to assure themselves of the accuracy and completeness of data provided by third parties.

Auditors in some jurisdictions are not able to audit work programmes on their own and need to collaborate with other organisations in discharging their duties. In many jurisdictions work programmes are delivered by non-governmental bodies, perhaps charities or private sector bodies. The role of the SAI in the audit of programmes can be made harder in these circumstances. The auditor may need to gain a detailed understanding of a system that involves a high number of small organisations or a long delivery chain.

Recommendation 4: In developing national approaches SAIs should take full advantage of the opportunity to benefit from sharing the knowledge and experience already gained by EUROSAI colleagues.



The Congress has highlighted that SAIs already have considerable experience of auditing these programmes and of addressing the particular risks inherent in them. Therefore, although this is a broad and complex area, SAIs have the opportunity to draw on the existing experience of colleagues and the techniques they have used in developing their own audit approach appropriate to their national situations.

Recommendation 5: SAIs should encourage governments to adopt good administrative practice.

The scale of the funds used for work programmes for disabled people means that SAIs have an important responsibility for ensuring that funds are spent as intended and not directed into other activities. Yet audits by SAIs have often found that administrative arrangements put in place by governments are not fully effective. SAIs should encourage governments to introduce clear legislation and regulations, design robust and transparent decision-making arrangements for assessing eligibility, and maintain clear and accurate records of support provided to individuals.

Recommendation 6: SAIs have a role in helping encourage governments to improve the information they collect on outcomes in terms of gaining and retaining jobs and ensuring that programmes are designed in ways which allow for evaluation of success.

Many SAIs found data reliability a problem. These include difficulty in determining the number of participants in any given programme, or that data was sometimes just not available. Where data is available, the number of organisations involved in delivering services can mean there are different datasets that must be cross referenced or combined to gain an overall understanding of the programmes. Such work can be time consuming and often difficult. In addition, the difficulties in tracking what has happened to people after they have been through work programmes is likely to make assessing the effectiveness of programmes very difficult.

Recommendation 7: SAIs should consider whether they need specialist skills and support in assessing programmes for the disabled.

Eligibility for programmes and support arrangements for the disabled often centre on an assessment of disability usually carried out by medically qualified staff. Auditors cannot question the medical judgements on which decisions will have been made about eligibility for disability support or for admission to a work programme. Nevertheless, auditors will need to have a good understanding of the relevant medical decisions and the classification of disabled people and must find ways of assessing whether administrations have a strong decision making process in place. In order to do this there may be a need for specialist assistance in carrying out the audit.

Recommendation 8: In view of the difficulty of making judgements in programmes for the support of the disabled, SAIs should pay particular attention to obtaining a range of sources of evidence that can provide further corroboration of findings and conclusions.

Where there is difficulty in making an audit judgement, for example where it is not feasible to come to judgement on how the medical profession is applying eligibility criteria, it is important to seek a range of other sources of evidence. For example, information showing trends of usage or participation can often be an indicator of a problem in applying eligibility criteria. Such sources of evidence are often more objectively verifiable.

Recommendation 9: In scoping work in this broad and complex area SAIs should look for indicators from a variety of sources in order to identify areas that their work should focus on.

SAIs have found that there are indicators that help to reveal trends or problem areas within programmes. For example a high level of benefit appeals, repeat enrolments by individuals within training and skills programmes or a high number of people returning to a reliance on benefits may all indicate areas of risk or unintended or unforeseen consequences of programme implementation. Not all of the information needed will necessarily be held by the audited body. Other entities, for example Non Governmental Organisations, will often be a valuable source of relevant information on whether programmes are providing sustained employment for disabled people.



MINUTES OF THE XXXII EUROSAI GOVERNING BOARD MEETING

Bern (Switzerland), 13 September 2007

The EUROSAI Governing Board held its XXXII meeting in Bern (Switzerland) on 13 September 2007, with the attendance of the Members, Observers and guests whose list is attached as Annex, and under the chair of Prof. Dr. Dieter Engels, President of the SAI of Germany and President of EUROSAI.

Dr. Engels opened the Session and he thanked the host for his hospitality and the EUROSAI Secretary General for the work carried out in the preparation of the meeting. He welcomed the participants with a special mention to the Heads of the SAIs of the Governing Board designated after the XXXI Governing Board Meeting took place, the Presidents of the SAIs of Italy and Poland.

Mr. Grüter, Director of the SAI of Switzerland and Host of the meeting, welcomed the participants and expressed his satisfaction to host it, earnestly hoping for the attainment of fruitful results.

Dr. Engels took the floor to begin the discussion of the agenda.

1. Approval of the Agenda of the XXXII meeting

The agenda of the XXXII meeting was approved in the proposed terms.

2. Approval of the minutes of the XXXI meeting

The minutes of the XXXI EUROSAI Governing Board Meeting (Reykjavik, Iceland, 13 September 2006) were approved. The minutes will be sent to all EUROSAI members by the Secretary General.

3. EUROSAI Activity Report 2006-2007

Mr. Nieto de Alba, President of the Spanish Court of Audit and EUROSAI Secretary General, opened his intervention thanking for the hospitality of Mr. Grüter

and welcoming the participants, with a special greeting to the Presidents of the SAIs of Italy and Poland. Next, he presented the EUROSAI Activity Report 2006-2007. The actions carried out since the last Governing Board meeting were summarised. Those actions were directed fundamentally to make effective the agreements adopted by the VI EUROSAI Congress, to execute the training policy, to develop the Working Groups Programs, to promote cooperation with INTOSAI and its Regional Organizations, and to the preparation of the VII EUROSAI Congress. The Activity Report also described the current state of the projects, and the programming of activities and pending events for 2007, with an advance for 2008. The membership application received from the SAI of Israel was reminded by the Secretary General; it would be submitted to the Governing Board at this Meeting. He provided information on the publications (Magazine and Newsletter) produced by the Secretariat in the period and the updating made in the EUROSAI website.

The Governing Board thanked the Secretary General for his report and took note of it.

4. Presentation of the accounts, the Financial Report and the Auditors' Report related to financial year 2006

Mr. Nieto de Alba presented the EUROSAI accounts and the Financial Report related to financial year 2006; reminding that it was the first one in which the three-year Budget approved in the VI Congress (2005) was applied. He made special mention to the procedure that, in agreement with the Spanish legislation as mentioned in article 17.2 of the EUROSAI Statutes, the EUROSAI Secretariat abides for contracting services in the performance of its activity; being mainly services of translation and production of publications and being small amounts contracts. He also made reference to the justification of the subsi-



dies granted by EUROSAT in 2006 in favour of the SAI of the Czech Republic, for an amount of 9,600 € for the partial financing of a Seminar on "Audit of Subsidies and Public Aids" (Prague, 6-8 November 2006), as well as of the INTOSAT Development Initiative (IDI) for the execution of the Program of "Public Debt Auditing" in the Countries of the Commonwealth of Independent States (CIS) for an amount of 40,000 €. He also referred the justification by IDI of the pending credit amount (2,000 €) of the subsidy granted to them by EUROSAT, at the financial year 2005, for the execution of the II Phase of the Long Term Regional Training Program (PRFLP).

The Secretary General pointed out, likewise, that the EUROSAT Auditors had made the field audit at the EUROSAT Secretariat regarding those mentioned accounts and financial statements, issuing a report without observations. The report showed that the financial statements provided a faithful image of the EUROSAT financial situation and of the revenues and expenses of the financial year. Mr. Nieto de Alba commented the Recommendations made by the Auditors.

The Governing Board took down the accounts, the financial report and the report of the EUROSAT Auditors, considering appropriately justified the referred subsidies. Following the Auditors' Recommendations, they reiterated the need that the bank transfers of contributions to EUROSAT were made free of expenses for this one. They also agreed to leave without effect, for practical reasons and to preserve information, the provision included in the "Instructions for drawing up, presentation and auditing of the accounts of EUROSAT" settling down the duty of publication of the EUROSAT accounts and financial statements in the Newsletter. The Governing Board congratulated the EUROSAT Secretariat for the sound financial management of the Organisation carried out.

5. Presentation of the Activity Report of the EUROSAT Training Committee. Proposal regarding incorporation of training issues into the EUROSAT website.

Ms. De la Fuente, SAI of Spain and co-chair of the EUROSAT Training Committee (ETC), presented the ETC Activity Re-

port previously distributed. She made reference to the triple performance environment in which the ETC develops its activity: impelling and promoting the training policy, working in diverse aspects related to ETC own organisation, and preparing proposals for the VII Congress (2008). She focussed in the actions developed in execution of the works mandated by the VI Congress to perform the agreed common Training Strategy, in the initiatives adopted in this respect, and in the pending challenges; highlighting cooperation and the commitment of EUROSAT and its Members as a key piece for the effective implementation.

Ms. Lamarque, SAI of France and ETC co-chair, deepened in the activities that are being developed to strengthen the ETC internal organisation and structures in order to make more effective its operation, for facilitating the issue of proposals in matters mandated by the Governing Board and distributing responsibilities and tasks; as well as those ones aimed at the establishment of guidelines for organising training events. She also highlighted the works to evaluate the impact of the training developed in EUROSAT in order to propose the VII Congress quantifiable performance objectives for the future.

Mr. Nieto de Alba presented to the Governing Board an ETC Proposal (XV ETC Meeting, Bonn, 8 and 9 March 2007) suggesting to keep a single EUROSAT website, managed by the Secretariat of the Organisation, incorporating training contents; having the support of the SAI of France that would centralise the information related to this area and it would elaborate it, remitting it to the EUROSAT Secretariat for being uploaded in the website.

The Governing Board approved the ETC Proposal related to the website; they also took down the Activity Report presented and congratulated the ETC for its work.

6. Information on the development of the Seminars and Workshops organised by the Presidency of EUROSAT for 2006-2008

Dr. Engels presented to the Governing Board the performances developed in execution of the training Initiative promoted



by his SAI, as EUROSAI Presidency, during the period 2006-2008, as well as its impact in participation and training provided terms. This Initiative, that is carried out with the technical and financial cooperation of the European Academy of Law at Trier and the German Organisation for International Technical Cooperation (GTZ), has the purpose of reinforcing the training strategic objectives identified by EUROSAI. Dr. Engels detailed the training events carried out and the ones that will be performed in execution of each objective.

The Governing Board congratulated the EUROSAI Presidency for this Initiative, standing out the special interest of the Seminar on SAIs management that will take place in this context in 2008 and that will allow to reflect and exchange experiences on a strategic topic of common and high-priority interest.

7. Proposal for consideration of granting EUROSAI Training Committee membership to the SAI of the Russian Federation

Following the application submitted by the President of the Russian Federation SAI, Mr. Stepashin, and following the ETC approach (XV Meeting) and the precedents of previous decisions in this field, the EUROSAI Secretary General presented a Proposal aimed at the consideration of granting ETC membership to the mentioned SAI, that already had formal Observer's status as a previous step. The membership would be granted keeping in mind their EUROSAI Governing Board membership, as well as their involvement in promoting training, their contribution to this one, and its performance at the ETC contributing to it and hosting its meetings.

The EUROSAI President submitted the Proposal to the Governing Board that supported it, agreeing to grant ETC membership to the SAI of the Russian Federation with the same status recognised to the original members.

Mr. Stepashin thanked the EUROSAI Secretary General and the Governing Board members for the support of his application on granting ETC membership to

the Russian SAI and confirmed its readiness to host next ETC meeting in Moscow in April 2008.

8. Analysis and consideration of the application for a EUROSAI subsidy of the SAI of Lithuania

The EUROSAI Secretary General presented an application of the SAI of the Lithuania for a subsidy of 7,500 Euros, to be paid in 2008 financial year, for the organisation of a Seminar on "Financial Audit Standards" to be held in Vilnius on 2 and 3 October 2008. This aid would have the objective of financing the participation of an external moderator and an expert of IFAC as well as to contribute to the expenses for the provision of the necessary technical equipment for the event. Mr. Nieto informed that the application met the requirements expressed in articles 5.2 and 14.3 of the EUROSAI Procedure Standards, as well as the Principles and Standards concerning the subsidies to be granted for events approved by the V EUROSAI Congress. He expressed that this request had been informed favourably by the ETC in its XV meeting, as for its suitability and amount.

The EUROSAI President submitted to the Governing Board the financial application presented by the SAI of Lithuania that was approved unanimously.

9. Information on the results of the V EUROSAI-OLACEFS Conference

Mr. D'Oliveira Martins, President of the SAI of Portugal, informed on the development, participation and main results of the V EUROSAI-OLACEFS Conference; held in Lisbon on 10 and 11 May 2007. He highlighted the relevance of these Meetings as debate forum on topics of common interest between both Regional Organisations of INTOSAI, making special mention to the interest and reach of the discussions had and to the main Conclusions and Recommendations adopted in the Conference.

The Governing Board took down the information provided and congratulated the host thanking the organisation.



10. Information and adoption of agreements on EUROSAI-ARABOSAI cooperation

10.1. *Results of the Meeting between the Governing Board of EUROSAI and the Executive Council of ARABOSAI in 2006; approval of the minutes*

Mr. Nieto de Alba made a brief reminder of the Meeting between the Governing Board of EUROSAI and the Executive Council of ARABOSAI held in Tunisia on 30 November 2006, and about the debates had and the agreements reached in order to establish a stable cooperation between both Organizations. He highlighted the four essential areas of cooperation identified: training, exchange of information and experiences, holding joint Conferences on topics of common interest, and cooperation between the respective Working Groups; the respective General Secretaries were commended its coordination, implementation, follow up and evaluation.

The minutes of the referred Meeting were approved by the Governing Board, urging the Secretary General to send a copy to the EUROSAI Members.

10.2. *I EUROSAI-ARABOSAI Conference*

Dr. Engels informed on the development of the I EUROSAI-ARABOSAI Conference, held in Tunis on 1 and 2 December 2006, suggesting that these joint Conference would take place every three years. He reminded the Themes discussed and the great number of contributions made by the participants in the Conference, as well as its practical character by analysing study cases; constituting this way an excellent starting point. He thanked Mrs. Stuiveling, President of the SAI of The Netherlands, for her intervention in the establishment of the first contacts with ARABOSAI following a request of the Governing Board, and the contribution of the EUROSAI Secretariat in the organisation and coordination of the I Conference.

10.3. *Adoption of agreements on the II EUROSAI-ARABOSAI Conference*

The EUROSAI President reminded the antecedents of the agreement reached by

the VI Congress to develop a regular cooperation between EUROSAI and ARABOSAI, and that it had got its first expression in the I Joint Conference hosted by the ARABOSAI Secretariat in 2006. The SAI of France offered, at the XXX Governing Board Meeting (2 June 2005), to host the II Conference; offer that was taken note of. The SAI of the Russian Federation also made an invitation, in the framework of the Meeting between the Governing Boards of both Organizations in November 2006, to organise a Conference under the topic of energy resources auditing.

Mrs. Lamarque took the floor to explain the first ideas of her SAI regarding the II Conference EUROSAI-ARABOSAI that will be organised possibly in March or April 2009. The French Court of Audits proposed as Theme for it "The Role of SAIs in the Modernization of the State", including institutional relations, sector issues and study cases.

Mr. Stepashin reiterated the initiative of the SAI he presides over of holding a Conference on the audit of energy resources, that could be materialized in hosting the IV Conference EUROSAI-ARABOSAI; what would be discussed in the XXXIII Governing Board Meeting.

The EUROSAI President presented to the Governing Board the terms and Theme of the II Conference following the proposal of the SAI of France as host, that were accepted; requesting the EUROSAI Secretary General to communicate it to the ARABOSAI Secretariat for submission to the Executive Council.

10.4. *Consideration of the invitation of ARABOSAI for a technical meeting in Kuwait in 2008*

Dr. Engels reminded the invitation sent by the SAI of Kuwait, through the ARABOSAI Secretariat, to some EUROSAI SAIs to participate in a Meeting to take place in this country in February 2008, for the exchange of information and experiences on its operation. He suggested that, as the invitation was addressed to each SAI, the decision on the participation and the most convenient date for holding it out of the ones proposed by the SAI of Kuwait would not correspond to the EUROSAI



Governing Board but it should be taken individually by each SAI.

The Governing Board accepted the EUROSAI President's suggestion, committing each SAI to communicate their decision to the EUROSAI Secretariat for informing the ARABOSAI Secretariat and, through this one, to the hosting SAI.

11. Information on the cooperation EUROSAI-IDI

Mr. Kosmo, Auditor General of Norway and Chair of the IDI Board, made a presentation on the IDI Activity Report 2006 and on the performances developed in cooperation with EUROSAI. He paid special attention to the Program "Public Debt Auditing" executed in 2006 in the countries of the CIS, in English and Russian; thanking EUROSAI for the contribution of 40,000 € to it. He highlighted the collaboration with the EUROSAI Training Committee, offering to organize training events in cooperation with this Committee in the future, and the "e-learning" activities developed on-line; he advanced details on the Plan 2007-2011.

The Governing Board received the Report and congratulated IDI for the work that it carries out.

12. Information on the activities of the EUROSAI Working Group on Environmental Auditing. Decision on the change of Chair

Mr. Jezierski, President of the SAI of Poland and Chair of the EUROSAI Working Group on Environmental Auditing, provided information on the main activities of this Group in execution of the 2005-2007 Working Plan approved by the VI Congress. He detailed the audit activities developed (parallel audits in environmental issues) and the organized and programmed training events in cooperation with the Training Committee and the EUROSAI Presidency. He highlighted the effective constitution of a Sub-group on the Audit of Natural, Man-Caused Disasters Consequences and Radioactive Wastes Elimination, coordinated by the SAI of Ukraine, to carry out a parallel audit on the use of the funds donated to eliminate the

consequences of the Chernobyl disaster and to elaborate guidelines for this type of controls. Mr. Jezierski reminded the decision of the SAI of Poland of leaving the Chair of this Working Group starting from the VII Congress, proposing the SAI of Norway as successor in the position given their great contribution to the Group.

Mr. Kosmo took the floor to thank the Working Group Chair for the work carried out and to express the willingness of his SAI to assume it in the future and to coordinate its activities for the special interest of the topic for the Institution that he presides over.

The Governing Board acknowledged the Report and congratulated the Working Group for the work carried out, supporting the suggestion of informing the VII Congress of the change of the Chair to the SAI of Norway.

13. Information on the activities of the EUROSAI IT Working Group. Decision on the change of Chair

Mrs. Stuiveling, President of the EUROSAI IT Working Group, presented the activities carried out in the diverse working areas of this Group in execution of the Plan approved by the VI Congress. She provided data on the situation of the projects begun in the previous period (self-assessment by the SAIs in IT area, and preparation of a framework for e-government audit) and on the new projects in course, highlighting that some of them were presenting difficulties for their launching. She informed on the situation of the study mandated by the VI Congress about the relevance of IT in the audit of fraud in the public revenues that will be presented to the VII Congress. She summarized the training actions developed in cooperation with the EUROSAI Training Committee and the collaboration with the homologous Working Groups of other Regional Organisations of INTOSAI, fundamentally OLACEFS, ARABOSAI and AFROSAI. Mrs. Stuiveling reminded the decision of her SAI about leaving the Chair of this Working Group starting from the VII Congress, proposing the SAI of Switzerland as successor in said position due to its great contribution to the Group and its implication in the topic.



Mr. Grüter thanked the Working Group for the work carried out and he expressed the willingness of his SAI to assume the Chair in the future.

Dr. Engels commented the interest of the problem derived from the management of IT in the public sector leading even to corruption cases; suggesting this area for future activities of the Working Group.

The Governing Board acknowledged the Report presented and congratulated the Group for the work carried out, supporting the suggestion of informing the VII Congress of the transfer of the Chair to the SAI of Switzerland.

14. Information on the activities of the EUROSAT Working Group on Coordinated Audit of Tax Subsidies

Dr. Engels, Chair of the EUROSAT Working Group for the Coordinated Audit on Tax Subsidies, informed on the current composition (18 SAIs), the meetings held and the actions carried out by the referred Group since its constitution in the VI Congress in execution of the mandate given. He detailed the performance lines of each one of the Sub-groups set up in it related to "Value Added Tax", "Corporate Tax" and "Transparency/Subsidies Report". He pointed out that the Report of the Working Group would be presented at the VII EUROSAT Congress and he thanked the participant SAIs for their contribution.

The Governing Board took down the information and congratulated the Working Group.

15. Information on the activities of the EUROSAT Study Group on Benchmarking the Costs and Performance of Tax Administrations

Mr. Grogan, SAI of the United Kingdom and Chair of the EUROSAT Study Group on Benchmarking the Costs and Performance of Tax Administrations, informed on the meetings held and he presented the works carried out, counting on the support of the SAIs of Finland, France, Poland, The Netherlands and Sweden. He

thanked the EUROSAT SAIs for the information provided in the answers to the survey distributed with the purpose of making evaluations. He made a general presentation of the essential aspects of the Report that will include data on the organization of the Tax Administrations, identification of methods to contribute to improve them and particular suggestions that could favour their operation. The final report will be submitted to the VII Congress.

The Governing Board acknowledge the information and congratulated the Study Group.

16. Decision on the EUROSAT membership application presented by the SAI of Israel

The EUROSAT Secretary General reminded the application to become Member of the Organisation presented by the SAI of Israel. He analysed the concurrence in this SAI of the requirements settled down by article 3 of the EUROSAT Statutes for this purpose. He made reference to the approach taken by the Governing Board in previous cases to evaluate the applicant's condition as SAI of an "European State", not only attending to strictly geographical criteria but to whether the country belonged to the European Regional Group of the United Nations Organisations.

Dr. Kovacs, President of the SAI of Hungary, Mr. Stepashin, Chairman of the SAI of the Russian Federation and Mr. Jezierski, President of the SAI of Poland took the floor to support the application of the SAI of Israel. Mr. Stepashin reminded that, in previous cases such as consideration of the application of Kazakhstan's SAI for EUROSAT membership in 2003, the Governing Board did not strictly followed by geographical criteria and pointed out that SAI of Israel had been closely cooperating with many European SAI including Russian SAI.

The EUROSAT President submitted the application of the SAI of Israel to the consideration of the Governing Board that approved it, being this way integrated as EUROSAT Member; the Secretary General was requested to communicate this decision to the applicant.



17. Information related to the preparation of the VII EUROSAI Congress. Adoption of Procedure Standards

Mr. Jezierski presented the advances in the preparations of the VII EUROSAI Congress, that will take place in Krakow from 2 to 5 June 2008. He reminded the essential terms and he presented the draft Procedure Standards that follow the outline of previous Congresses. He thanked for the work carried out by the Themes Coordinators and the support received from the EUROSAI Presidency and Secretariat.

Dr. Kovacs and Mr. Grogan thanked for the support of the EUROSAI Members for the preparation of Themes I and III of the Congress, coordinated respectively by their SAIs.

The Governing Board expressed the agreement with the draft Standard Procedures, that will be presented to the approval of the VII Congress and they thanked the organisers for the works developed for its preparation and good development.

18. Information on candidacies received for the election of new Members of the EUROSAI Governing Board by the VII Congress

Mr. Nieto de Alba informed that, up to that date, the SAI of Ukraine and the European Court of Auditors had presented their candidacies as new Members of the EUROSAI Governing Board, to be nominated by the VII Congress in substitution of the SAIs of Italy and Lithuania that will finish at that date their six-year mandate. The agreement on the definitive proposal to be presented to the Congress will be adopted by the Governing Board at its XXXIII Meeting.

Mr. Stepashin attracted attention of the Governing Board Members to the fact that SAI of Russia also would finish its mandate of the Governing Board member at the VII Congress. In order to ensure a balanced geographic representation of the seats in the Governing Board a SAI from East European region could be nominated by the Congress in substitution of the

Russian SAI. He expressed his opinion that SAI of Ukraine is meritorious candidacy as a new member of the EUROSAI Governing Board.

The Governing Board acknowledged the information provided by the EUROSAI Secretary General.

19. XXXIII and XXXIV EUROSAI Governing Board Meeting

Mr. Jezierski reminded that the XXXIII and XXXIV Governing Board Meetings would take place in Krakow (Poland) on 2 and 5 of June 2008, respectively, immediately before and after the VII Congress; inviting all to participate in them.

The Governing Board acknowledged it and thanked for the invitation. Mr. Nieto de Alba offered the readiness of the EUROSAI Secretariat for supporting the organisation of the Meetings.

20. Information on INTOSAI

20.1. Information on the development of the 2005-2010 INTOSAI Strategic Plan

Dr. Kovacs, Chairman of the INTOSAI Governing Board, summarised the actions of the Organisation since the XVIII Congress (2004). He reminded the most important proposals contained in the 2005-2010 Strategic Plan: objectives and goals, the creation of the necessary structures to implement them, and the relations among the members. He made reference to the agreements reached to this effect by the INTOSAI Governing Board and the main activities of the different Committees, Sub-committees and Working Groups of the Organisation and of the Finance and Administration Committee. He thanked for the work of the Chairs and Goal Liaisons, as well as for the support received from the INTOSAI General Secretariat.

The EUROSAI Governing Board acknowledged the information provided.

20.2. XIX INCOSAI

Dr. Kovacs reminded the general terms of the XIX INTOSAI Congress, to be held



in Mexico in November 2007. He referred to the two Themes to be discussed in it, that would be coordinated by the SAI of Germany and the SAI of the United States, as well as to the SAIs that would act as moderators and rapporteurs. He referred to the Congress website for further information.

The EUROSAI Governing Board noted down the information provided.

21. Other items

Mr. D'Oliveira Martins asked for the floor with the purpose of making some considerations on the VIII EUROSAI Congress, that the Governing Board will propose to the VII Congress to be held in Portugal in 2011. He pointed out that it would be of interest to begin to meditate on the themes that could be proposed for it. He suggested that one of them could be the responsibilities and liabilities resulting from the management of public funds and the role of SAIs in their assessment. He also congratulated the EUROSAI President for leading the present Governing Board Meeting and the Host for its organisation.

Mr. Nieto de Alba supported the initiative of the SAI of Portugal for the VIII Congress and he suggested that it would be interesting that the proposed topic, should it be accepted, could be extended to the demand of the different types of responsibility, included those of management and organisation; making some reflections about its relevance in the operation of the system and the possible moral hazard that might have implicit. He suggested that the Governing Board Meetings could also serve as a forum to promote the technical debate and the exchange of experiences on topics of common interest, enriching this way their content. He thanked, likewise, the work developed in this XXXII Meeting by the EUROSAI President and the Host.

The EUROSAI President thanked Mr. Grüter, Director of the SAI of Switzerland and Host of the Meeting as well as his collaborators, the EUROSAI Secretariat, the Members and Observers of the Governing

Board and the SAIs invited for their contributions. Dr. Engels ended the Governing Board Meeting 2007 and he closed the Session.

THE EUROSAI PRESIDENT

Dieter Engels

THE EUROSAI SECRETARY GENERAL

Ubaldo Nieto de Alba

ANNEX

LIST OF PARTICIPANTS

XXXII EUROSAI GOVERNING BOARD MEETING

Bern (Switzerland) – 13 September 2007

I. Members

Germany:

Mr. Dieter Engels
Mrs. Francisca Schmitz
Mrs. Beate Korbmacher
Mr. Jan Eickenboom

Poland:

Mr. Jacek Jezierski
Mrs. Aleksandra Kukula
Mr. Bogdan Skwarka

Lithuania:

Mrs. Rasa Budbergytė
Mrs. Dainora Venckevičienė

Spain:

Mr. Ubaldo Nieto de Alba
Mrs. María José de la Fuente y de la Calle
Mr. Jerónimo Hernández Casares

Iceland:

Mr. Sigurdur Thordarson
Mr. Thorir Oskarsson

Italy:

Mr. Ennio Colasanti

Russian Federation:

Mr. Sergey V. Stepashin
Mr. Nikolay Paruzin
Mr. Fyodor Shelyuto
Mrs. Nina Myltseva

Switzerland:

Mr. Kurt H. Grüter
Mr. Arthur Taugwalder



*II. Observers***Austria:**

Dr. Josef Moser

Hungary:

Dr. Arpad Kovacs

Mr. Istvan Somogyvari

Norway:

Mr. Jorgen Kosmo

Mrs. Elisabeth T. Hyllseth

Portugal:

Mr. Guilherme P. D ' Oliveira Martins

Mr. José F. Tavares

United Kingdom:

Mr. Frank Grogan

*III. Guests***France:**

Mrs. Danièle Lamarque

The Netherlands:

Mrs. Saskia Stuiveling

Mr. Hayo Van der Wal

SUMMARY OF THE DECISIONS OF THE XXXIII EUROSAI GOVERNING BOARD MEETING

Krakow (Poland), 2 June 2008



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The Governing Board of EUROSAI held its XXXIII Meeting in Krakow (Poland) on 2 June 2008, under the Presidency of Dr. Dieter Engels, President of the SAI of Germany and of EUROSAI. The minutes will be submitted to the approval of the Board in its XXXV Meeting, and will later on be distributed to all Members of the Organisation. Nevertheless, it is considered to be of interest to provide a summary of the main discussions and agreements:

1. Approval of the Minutes of the XXXII Meeting of the Governing Board (Berne, Switzerland, 13 September 2006).

2. The General Secretary presented the Activities Report of the Organisation 2005-2008, for being passed on to Congress, placing special emphasis on actions carried out since the last Governing Board Meeting. It also put forward a proposal aimed at the design of a global strategy for EUROSAI, taking account of the transformations produced in its environs and the new challenges to be faced by SAIs; the proposal was backed by the Governing Board. He also presented the accounts, the financial report and the report drawn up by the auditors corresponding to 2007.

3. The Governing Board supported the draft budget for 2009-2011 prepared

by the General Secretary, along with the candidacies of new members of the Governing Board (SAIs of Turkey and Ukraine) and of the EUROSAI Auditors (SAI of the Slovak Republic and the European Court of Audit), to be submitted to Congress for approval.

4. The Co-chair of the EUROSAI Training Committee gave an account of the Activities Report 2005-2008, setting out the general lines of its action in executing the Training Strategy, the works relating to the organisation and internal structure of the Committee itself, along with those developed with a view to the VII EUROSAI Congress. This report was accompanied by an evaluation document on the execution of that Strategy. The Governing Board declared its support for the draft Training Strategy 2008-2011 and draft resolution, drawn up by the Training Committee, and decided on its presentation to Congress.

Information was provided on the results of the Training Initiative 2006-2008 encouraged by the Presidency of EUROSAI, in collaboration with the Academy of European Law of Trier and the German Cooperation Agency GTZ, as a complement for the execution of the EUROSAI Training Policy.

The Governing Board agreed to grant the financial aid requested by the SAIs of Estonia and the Czech Republic charged to the existing EUROSAI Budget, in order to organise training seminars in 2008 on the application of the COBIT tool to auditing, and on the auditing of social security systems, respectively.

The SAI of Norway presented the IDI Activities Report corresponding to 2007 and 2008, along with an evaluation of their results. Projects in progress and future prospects were also reported on, with special attention being paid to the new strategies and areas of action.

5. The cooperation of EUROSAI with other Regional Groups of INTOSAI was also reported on. Within this framework, the Governing Board supported the proposal of OLACEFS in relation to the VI EUROSAI-OLACEFS Conference, to be held on Isla Margarita (Venezuela) from 13 to 16 May 2009; the suggested theme for debate being "Current and future environmental challenges and the protection and conservation of natural resources".

An account was also given of the results of the technical encounter of ARABOSAI organised in February 2008 by the SAI of Kuwait, in which EUROSAI Members participated. Also, of the II Joint Conference between both Organisations, to be held in France in 2009.

6. The EUROSAI Working Groups on Information Technology (SAI of Holland), Environmental Audit (SAI of Poland), Coordinated Audit of Tax Subsidies (SAI of Germany) and the Study Group on Benchmarking Costs/Performance Tax Administration (SAI of the United Kingdom) presented their respective Activities Reports for the last three years, for submitting to Congress. The Working Groups on Information Technology and Environmental

Audit, which confirmed the transfer of their Presidencies to the SAIs of Switzerland and Norway, respectively, also set out their work programme for the forthcoming three-year period and the corresponding draft resolution for approval by Congress. The Working Groups chaired by the SAIs of Germany and the United Kingdom, which presented the reports that had been assigned to them when being set up by the VI Congress in 2005, considered that they had fulfilled their mandate and that their activity was thus concluded.

An evaluation was made of the proposal presented by the SAI of Ukraine to form the current Subgroup on "Auditing of Natural and Man-Caused Disasters Consequences and of Radioactive Waste Elimination" into a Working Group independent of the Environmental Audit Working Group. The Governing Board stated that it had certain reservations regarding the initiative under the terms that had been proposed, and it asked the General Secretary of EUROSAI to conduct the necessary steps in order to arrive at a proposal that would be agreed by all.

7. The Governing Board approved the application from the SAI of Montenegro to become a Member of EUROSAI.

8. The SAI of Poland, host of the VII Congress, gave an account of its organisation and the programme for its development.

9. The General Secretary of INTOSAI and President of the SAI of Austria provided information on the results of the XIX INCOSAI, held in Mexico City in November 2007; as well as on the new Committees, Subcommittees, Working Groups and Taskforces created on the occasion thereof. He detailed the situation of the INTOSAI Strategic Plan 2005-2010, which is the subject of review with regard to its development.



SUMMARY OF THE DECISIONS OF THE XXXIV EUROSAI GOVERNING BOARD MEETING

Krakow (Poland), 5 June 2008

The Governing Board of EUROSAI held its XXXIV Meeting in Krakow (Poland) on 5 June 2008, under the Presidency of Mr. Jacek Jezierski, President of the SAI of Poland and of EUROSAI. The minutes will be submitted to the approval of the Board in its XXXV Meeting, and will later on be distributed to all Members of the Organisation. Nevertheless, it is considered to be of interest to provide a summary of the main discussions and agreements:

1. The new President of EUROSAI welcomed the three new members of the Governing Board, the Presidents of the SAIs of Portugal, Turkey and Ukraine; with the First Vice-Presidency of the Organisation corresponding to the Court of Audit of Portugal as host of the VIII Congress in 2011. Approval was given to the proposal of President of EUROSAI to designate the Auditor General of Iceland as Second Vice-President of the Organisation.

2. The President of EUROSAI gave a summary of the results of the VII Congress, along with the Conclusions and Recommendations adopted in its thematic sessions, presenting the Governing Board with the allocation of mandates so that the agreements of that Congress could be put into practice. For this purpose it was decided:

- To set up a Taskforce to study and design a proposal of global strategy for EUROSAI, to be presented to the VIII Congress. This Taskforce, which will be assisted by the Training Committee and the Working Groups within the scope of their respective competencies, will initially be made up of representatives of the SAI of Poland, which will coordinate matters, Germany, Portugal and Spain, in their respective conditions of previous, present and future Presidency of EUROSAI and of Secretariat General, notwithstanding the possibility of other interested SAIs being able to contribute their works.

- To approve, in a future meeting of the Board, the Draft Guidelines on Audit Quality which is going to be prepared by the coordinating Working Group for Theme I of the VII Congress, once the suggestions of EUROSAI Members have, as appropriate, been considered and incorporated; this procedure is to be channelled through the Secretariat of the Organisation.

- To ask the Training Committee to put into practice the EUROSAI Training Strategy 2008-2011 and to conduct an evaluation of its effectiveness at the end of that three-year period.

- To carry out a periodical follow-up of the activities and actions of the EUROSAI Working Groups on Information Technologies (SAI of Switzerland) and on Environmental Auditing (SAI of Norway); along with the Taskforce on the Audit of Funds Allocated Disasters and Catastrophes (SAI of Ukraine), this one in coordination with the Environmental Auditing Group.

- To support the organisation of the VIII EUROSAI Congress (SAI of Portugal), of the II EUROSAI-ARABOSAI Conference (SAI of France) and of the VI EUROSAI-OLACEFS Conference (SAI of Venezuela); the General Secretary being given the task of maintaining permanent contacts with the organisers of the events.

3. Note was taken of the operating programme 2008-2009 proposed by the Training Committee for putting into practice the EUROSAI Training Strategy 2008-2011. The Training Committee was also asked to revise its own structure within the framework of the design of a global strategy for EUROSAI entrusted to the Governing Board by the VII Congress, evaluating the advisability of the Presidency of the Organisation participating in its chairing, as coordinator between the Training Committee and the Governing Board. For that purpose, a Taskforce was set up.



4. It was agreed to grant the financial aid requested by the SAI of the Czech Republic charged to the EUROSAI Budget 2009-2011 in order to organise a training seminar on performance audit, in April 2009.

5. The SAI of Portugal, host of the VIII Congress, provided initial information on the general lines of its organisation.

6. It was agreed to hold the XXXV meeting of the Governing Board in Kiev (Ukraine) at the end of the first half of 2009.

MINUTES OF THE XV EUROSAI TRAINING COMMITTEE MEETING

Bonn (Germany), 8 and 9 March 2007

Nine members of the EUROSAI Training Committee (ETC), consisting of the SAIs of the Czech Republic, France, Germany, Hungary, Lithuania, Poland, Portugal, Spain and United Kingdom, and co-chaired by France and Spain, hold their XV meeting. As from the very beginning a representative of the European Court of auditors (ECA) was invited as observer. Due to the agenda, representatives of the SAIs of Austria and Morocco, of the INTOSAI Development Initiative (IDI) and the European Academy of Law of Trier also participated.

The meeting was organized and hosted by the German SAI (Bundesrechnungshof) and therefore Beate Korbmacher welcomed the participants in the name of President Dr. Dieter Engels, the EUROSAI Chairman. Ms. Korbmacher reminded the participants of the agenda and presented some guests: Mr. Wilhelm Kellner (Director in the Austrian Court of Audit), invited to present the professional MBA of "Public Auditing" organised and offered since February 2006 by the university of Vienna; Mr. Andreas Krull, in charge of the training section at the German Court and Mr. Jean-Philippe Rageade from the European Academy of Law.

1. Adoption of the draft agenda

Danièle Lamarque (SAI of France) also welcomed the participants and thanked, on behalf of the co-presidency of the ETC, the German SAI, for hosting the meeting.

María José de la Fuente (SAI of Spain), presented the draft agenda circulated for the XV ETC meeting. She thanked the host and the participants for having made fruitful comments on the initial version of the draft agenda. She made a special reference to the proposal of Helene Morpeth (SAI of the U.K.) for reviewing the structure of the agenda in the future in view of a more efficient management of issues that would need further discussion.

Danièle Lamarque proposed then to adopt the agenda of the meeting just changing the order of presentation of some items, at the request of the participants for practical reasons. Since nobody objected, the agenda was adopted.

2. Adoption of the draft minutes of the XIV ETC Meeting

Danièle Lamarque proposed to adopt the final version of the minutes of the previous ETC meeting (held in Luxembourg, in June 2006). All participants agreed.

3. Operational plan

3.1. Building operational plan

- *Presentation of a draft summary of the EUROSAI training strategy and the operational plan to perform it*

Danièle Lamarque first dealt the issue of the ETC training strategy. She present-



ed an overview of the current strategic framework of the ETC activities, based on a series of documents which she listed and reminded the participants of (mainly the questionnaire 2003 and the EUROSAI 29th Governing Board Resolution). She noticed that most of those documents had already been studied and summarized by the EUROSAI Congress. Ms. Lamarque then tried to draw a comparison between the 8 priorities defined according to the questionnaire of 2003 and the 9 specific training objectives that could be derived from that questionnaire. Ms. Lamarque particularly insisted on the need to confront both classifications so as to select some key objectives that should be focused on:

– *Objective 1: delivering training through seminars and training events.* Ms. Lamarque raised the question of up-dating the questionnaire circulated in 2003 so as to really meet the needs of the SAIs. Should the questionnaire not be up-dated, 2 main subjects should nevertheless be dealt with: performance audit and IT audit.

– *Objective 2: supporting EUROSAI-IDILTRTP activities:* that objective seems to have been correctly implemented until now.

– *Objective 3: supporting needs of working and regional groups:* several successful seminars already took place.

– *Objective 4: provide key training available on Internet:* that issue should be tackled along with objective 1.

– *Objective 6: expand the use of web-sites for communication and information sharing:* Ms. Lamarque did not insist on that objective that had to be discussed later during the meeting (Item 3.6.). Yet she emphasized the importance of all kinds of seminar materials.

– *Objective 7: expand the cooperation with RAIs in the training area.* Ms. Lamarque stressed the fact that the ETC involvement should not exceed its role as a *training partner*.

Having confronted and discussed those objectives, Ms. Lamarque proposed to combine them so as to put forward 3 main missions: enhancing professional development, exchanging experiences and sharing information in order to strengthen professional capacities.

The synthesis drafted by Ms. Lamarque was intended to provide the participants and their SAIs with a useful basis that could help to organize the great amount of information produced since 2000 by the ETC members. The classification proposed by Ms. Lamarque should of course be opened to discussion and remain pending as long as a common document



Group Photograph of the XV ETC Meeting.

would not have been accepted by all participants.

Helene Morpeth (SAI of the U.K.) agreed that a lot had been achieved since 2000. She also called attention to some developments that could not be ignored by the ETC and had to be taken into account: the approval of the creation of the INTOSAI Capacity Building Committee; the development of the IDI strategy and the impact of the INTOSAI strategic plan for 2005-2010.

Magnus Borge (IDI) shared the opinion of Ms. Morpeth and expressed the same concern especially regarding the new strategy developed by the IDI.

Helena Abreu Lopes agreed again with Mr. Borge but wanted to add three comments on Ms. Lamarque's presentation:

- Responding to the wish of her French colleague, she proposed to change the order of the main objectives. The issue of the certification of the auditors being still controversial and having not obtained a general approval, it should not rank first.

- Along with Ms. Lamarque, Ms Abreu Lopes suggested that as part of the review of the ETC, it would be important for the ETC to evaluate the impact of training that has taken place in the region during the period 2005-2008 with a view to proposing some quantifiable performance targets for future training provided by the ETC.

Danièle Lamarque reasserted her conviction that great benefits could actually emerge from the exchange of experiences in the audit and training fields. According to Ms. Lamarque, enhancing the exchange of experiences should be defined as the 1st strategic objective of the ETC. Concerning the question of certification, though it has not been generally accepted, the questionnaire circulated by the ECA showed that it seemed to raise the interest of the majority of the SAIs.

Elisabeth Türk (ECA) supported Ms. Abreu Lopes' suggestion concerning the connection to be established between directors of training units (building a sort of informal network). She also welcomed - the idea of having small working groups established within the ETC dealing with the different tasks to get up with proposals in a shorter period.

María José de la Fuente reminded the participants, as already discussed at the pre-

vious ETC meeting, the convenience of drafting a written summary of the EUROSAT Training Strategy 2005-2008, in order to reach that objective of diffusing and sharing information among the SAIs about training strategy and activities related. The ETC agreed that the SAI of France would prepare a first draft summary to be circulated to the ETC participants for comments. The final text would be presented to the Governing Board for information and would be made available in the EUROSAT website.

Danièle Lamarque again asked for the support of the participants and their approval of the three main strategic goals she had put forward earlier:

- Enhance professional capacities.
- Share information and experiences in the field of audit.
- Share information with the partners of the SAIs (such as universities).

That basic classification could help to clarify the strategic plan of the ETC to be submitted to the next EUROSAT Congress.

Zuzana Holoubkova (SAI of the Czech Republic) raised the question of the financial support provided by the ETC to the SAIs for the organisation of training events. According to Ms. Holoubkova, that issue should belong to the most crucial items of the ETC strategic and operational plan.

María José de la Fuente highlighted the importance of training, not as an ultimate goal itself but for ensuring the efficiency and the quality of the SAIs and for improving their operational capacities.

- *Strategic issues of the ETC*

María José de la Fuente opened the discussion on the overall effectiveness of the training delivered in the scope of EUROSAT. She made a review of the main goals of the EUROSAT Training Strategy and highlighted key elements to be taken into account for performing it in an efficient way: attending EUROSAT priorities, providing high quality events, supervising training effectiveness, guarantying sufficiency and training adequacy, appropriately supporting (financially, materials, organisation) training from EUROSAT/ETC, increasing training impact/reducing costs. She pointed out the need to review the real efficiency and impact of the EUROSAT Strategy 2005-2008



in order to propose the Governing Board its revision, if needed, taking into account the new developments in the scope of EUROSAI, INTOSAI and IDI.

Ms. de la Fuente also made reference to the relevance of getting the maximum efficiency of the ETC operation. She suggested, in this line: the convenience of studying a more efficient organisation of the agenda for the meetings, of decentralising the performance of the work setting up taskforces and subgroups responsible for developing concrete tasks and studies, of promoting more debate and discussion and exchange of experiences inside the ETC, and of making a higher use of the opportunities offered by the new technologies for improving the usefulness and impact of the work.

Helene Morpeth supported Ms. de la Fuente's proposal for producing a short document summarising the key elements related to the EUROSAI training strategy.

A small group was set in the ETC scope, made of the SAIs of France, UK, Hungary and Spain, for drafting a paper with proposals for the EUROSAI Training Strategy 2008-2011 to be circulated for comments to the ETC. The definitive paper would be presented to the XXXIV Governing Board meeting.

- *Evaluation of the quality of training events: towards a common model of questionnaire*

Helena Abreu Lopes took the floor in the name of her Danish colleague –Lisbeth Sorensen who could not attend the meeting- to present a “Common model of seminar's evaluation questionnaire” elaborated in cooperation by the SAIs of Denmark, Portugal and UK and with comments from the IDI. After having underlined the specificity of seminars (due to their short duration, seminars can not be evaluated in the same way as longer training events), Ms. Abreu Lopes summed up the main concerns underlying the draft that has been distributed to participants of this meeting:

- Ensure that the seminars actually have learning goals.
- Measure the achievement of those objectives (how have they been perceived by the participants? Are there any evidences that those objectives have been reached?).

That should also be done by means post-seminars assessments for example.

- Evaluate how relevantly the participants' needs were met, their language comfort level, the usefulness of the materials provided and of the professional networks established.

- Let the participants comment openly on the seminars (suggest improvements, put forward specific needs).

She stressed some questions that still remain pending, such as the length of the questionnaires and the best way to take profit from the results of the evaluation.

Helene Morpeth put in a good word for Ms. de la Fuente and thanked her for having listed the main challenges concerning the effectiveness of training events.

Radek Majer (SAI of the Czech Republic) supported the idea of drafting some guidelines on the organisation and the evaluation of seminars.

Magnus Borge also agreed with his colleagues on the idea of clarifying and standardizing the evaluation practices. Yet he also insisted on the need to remain flexible on the subject. The question of the appropriate length of a training seminar depends for instance on the specific objectives of the event. According to Mr. Borge, gathering the information needed to establish a kind of best practices guide has to be done by one ETC member rather than by the whole Committee at a meeting. It would be much better to entitle one SAI with that specific task.

Beate Korbmacher (SAI of Germany) reminded the Committee of the German experiences in the field of evaluation and of the work achieved by the German SAI jointly with the European Academy of Law (ERA). She introduced Jean-Philippe Rageade who had been invited to make a presentation on that specific issue.

Jean-Philippe Rageade (ERA) referred to the presentation he would do later and the meeting and also remarked that those in charge of analysing afterwards such questionnaires should keep in mind the fact that most of the questionnaires returned to the ERA have been filled in by the participants who were actually not satisfied by the events.



Elisabeth Türk supported the idea of giving participants the possibility to comment the seminar/workshop.

Helene Morpeth proposed to circulate pre-seminar sheets as well as post-seminar sheets since the participants are often tired at the end of a workshop and are not always willing to fill in long questionnaires.

María José de la Fuente also suggested including in the questionnaire questions regarding the attitude of speakers and participants in the seminars in order to promote the debate and the exchange of experiences, and enriching their results. She proposed that the replies to the questionnaires could be analysed for learning lessons, improving training and getting conclusions.

Magnus Borge supported the idea of condensed questionnaires (rather than long ones) focusing on clear questions. He reasserted his earlier remark and invited his colleagues to keep in mind the fact that the organisation of the ETC training events depends on many variable national factors. Mr. Borge also brought out another interesting element of the ERA questionnaires presented by Mr. Rageade: they aim at gathering information not only on the seminar's participants but also on the presenters and speakers.

Danièle Lamarque underlined at this stage of the discussion differences between the ERA and the ETC that should not be forgotten while debating on the best way to assess training quality: contrary to the ERA which is a permanent training provider, the ETC organizes episodic special training events.

Ms. Lamarque thus fully supported the idea of getting both the trainers and the participants involved in the evaluation.

To encourage the ETC participants, Wilhelm Kellner again referred to the Austrian MBA: 90 % of the information concerning the changes to implement had actually been obtained through evaluation questionnaires. He agreed with Ms. Lamarque who was perfectly right to distinguish permanent training such as offered by the ERA and "extraordinary" seminars such as provided by ETC members.

Helena Abreu Lopes wanted to insure her colleagues of the good feedback of the questionnaires circulated after seminars organized by ETC members in the field of

IT audit despite the length of those questionnaires.

Helene Morpeth, for her part, considered it also necessary to discuss the issue not only at a national level and for each training event but also at the international level in order to answer the following questions: has the training actually been delivered to the SAIs which have the greatest needs? Is the ETC meeting their needs?

María José de la Fuente wondered whether it would be convenient to draft a sort of guideline for training activities in order to help the organizers. She proposed to set up a task force or a working group that would be in charge of designing those guidelines.

Magnus Borge again expressed his personal scepticism concerning any attempt to develop standards of evaluation that could be applied to any SAI and to any seminar or workshop.

Radek Majer also took the floor to remind his colleagues of the existing INTOSAI guidelines: they could facilitate the ETC work and be used as a good basis.

Elisabeth Türk and Danièle Lamarque both brought out the fact that evaluating experienced auditors involved as instructors in some training events is a quite sensitive issue. It is delicate to bring into question the training competences of auditors acting as trainers and this issue has to be treated in a very diplomatic way.

Magnus Borge considered however that it should be possible to distinguish their auditor's quality from their instructor's quality and to teach them how to become better trainers.

Danièle Lamarque summed up the overall discussion in proposing a road map to her colleagues:

- Redraft a sort of standardized questionnaire (an evaluation form) inspired by the EUROSAI experiences presented by Ms Abreu Lopes and divided into pre-seminar and post-seminar assessments.

- Evaluate the convenience of drafting guidelines for organising EUROSAI seminars. The documents drafted should be circulated among the ETC members to be amended and commented before getting a general approval.

- Draft a questionnaire on the expectations of participants in EUROSAI seminars.



– Launch a larger enquiry for the ETC to evaluate the global effectiveness of the training strategy towards the targeted SAIs. That should be circulated by September-October 2007.

The SAIs of UK, Portugal, Denmark, Hungary and Czech Republic were put in charge of drafting the guidelines for organising seminars and the evaluation questionnaires. The SAI of Portugal will re-draft the reaction questionnaire as soon as possible, incorporating the suggestions made out in this meeting, the SAIs of Hungary and Czech Republic will draft a first version of guidelines for organising seminars and the SAI of UK will deal with the guidelines relating to pre-seminar assessments and settlement of learning goals related to design of training events.

That should be done until September-October 2007.

The documents drafted should be circulated among the ETC members to be amended and commented before getting a general approval.



- *Presentation of the results of the questionnaire for updating the EUROSAI training needs and preferences*

Jan Eickenboom (SAI of Germany) informed the participants that the complete results of the survey and their analysis had been made available to the ETC Chair.

- *Provisions on structure, organisation and operation of the ETC*

María José de la Fuente opened the discussion concerning the ETC operational plan by presenting to her colleagues some proposals regarding the structure, the organisation and operation of the ETC. Considering the growing importance of the ETC which is becoming a wide permanent body, it could indeed be necessary to rationalize its procedures so as to share in an efficient way its tasks. It could be useful to clarify that information and gather and tackle written provisions on the following items:

- A brief presentation of the ETC.
- A description of the ETC objectives and of the ETC composition (the members, the observers, the guests).

- The ETC presidency.
- The working language and operational rules.

Danièle Lamarque asked for some precisions on the differences existing between the ETC rules and the rules applying to other EUROSAI working groups.

María José de la Fuente reminded the participants the procedure of creation and operation of each kind of body in EUROSAI. The “working groups” are created by the Congress, as EUROSAI bodies, for dealing with specific studies and works on topics of common interest for EUROSAI members. The ETC, on the other hand, was created by the EUROSAI Governing Board to support it in training issues; so, it works for the Governing Board and it depends on it.

Danièle Lamarque then suggested that the ETC co-chair should propose to the other ETC members those “operational rules”.

Magnus Borge urged his colleagues to do it since it is now nearly 10 years since the ETC has been set up.

Helene Morpeth proposed – as she had made it earlier during the discussion concerning the ETC training strategy - to make a distinction between matters relating to the composition of the Committee, rotation of membership etc, and those matters of a more operational nature such as the drafting minutes, the preparation of the agenda that have a more pragmatic dimension.

Danièle Lamarque and her colleagues then welcomed Ms. de la Fuente offer to go on with the work she had proposed, in two different documents as suggested by Ms. Morpeth, and to circulate a first version to the ETC for comments.

3.2. Building operational plan- Objective 1: Delivering training through seminars and events

- *Information on the performance of the Training Programme promoted by the Presidency of EUROSAI for the period 2006-2008. Information on the Academy of Law in Trier*

Jean-Philippe Rageade (ERA) briefly described the activities carried out by the

ERA before dealing with the specific question of evaluating the training provided. Mr. Rageade circulated two questionnaires used to assess ERA workshops and highlighted the major aspects of the seminars evaluated thanks to those questionnaires: the needs of the participants, their comments regarding not only the materials but also the speakers and their remarks on the global organisation of the seminar.

Magnus Borge reacted to the comment made by Mr. Rageade on the ERA publications. Mr. Rageade had stressed the fact that the ERA makes no academic research. Yet Mr. Borge considered that the documents produced by the ERA in so far as they are exclusively produced for the ERA on the occasion of the training seminars might be considered as research work. That point raised the question of protecting such materials or making them available for everyone. Mr. Borge also welcomed all the efforts made until now in the field of cooperation between the EUROSAI community and the ERA.

Aleksandra Kukula (SAI of Poland) declared that the Polish SAI also would be very interested in developing such cooperation.

Beate Korbmacher provided the participants with some information on the workshops organized by the German SAI as Presidency of EUROSAI which had been quite successful (as proved by the ERA evaluation). She also presented the training events to be held in 2007/2008 on structure and functions of the European Union (in cooperation with the ERA and also intended for OLACEFS members which seem to be very interested in it); a workshop on performance audit (in cooperation with the ECA); a seminar on "the management of a SAI" (a current crucial issue for many SAIs).

María José de la Fuente asked whether the SAI of Germany was thinking on making a study, based on the results of the questionnaires, concerning the training initiative of the EUROSAI Presidency 2006-2008 in terms of efficiency of cooperation with external entities in providing EUROSAI training. Ms. Korbmacher clarified that a final evaluation would be made when this initiative is finished.

- *Information on the Conference on the role of the SAIs in the fight against fraud and corruption (Kiev, Ukraine, 19/21 September 2006)*

María José de la Fuente gave some information concerning the Conference, that counted with representatives of 26 SAIs. Special attention was paid to the recommendations produced at the end of the meeting. Further information on the conference is available on the EUROSAI website.

- *Information on the seminar on audit of public aids and subsidies (Prague, Czech Republic, 6/8 November 2006)*

Radek Majer invited his colleagues to look at the CD he circulated and which contains all the information and documents related to that seminar (those documents being also available on the website prepared by the Supreme Audit Office and dedicated to the seminar www.nku.cz/seminars/eurosai-prague-2006). Mr. Majer also drew the participants' attention on the specific question of evaluation for it had been raised and discussed earlier. In the specific case of that seminar, a questionnaire had been launched afterwards and the results of that survey were incorporated in the CD. Mr. Majer underlined the fact that a careful selection of the speakers involved in such a training event, if not an easy task, was undoubtedly worth the effort.

María José de la Fuente asked Mr. Majer whether a link in the EUROSAI website could be made to the mentioned seminar website. Mr. Majer welcomed the initiative and kindly requested that the materials of this event were included in the EUROSAI website for public information.

- *Information on the seminar on audit quality (Budapest, Hungary, 1-2 March 2007)*

Eszter Dürr (SAI of Hungary), following the example of her Czech colleague, just took the floor to present the context of that event. 20 delegates coming from 9 different countries took part in the seminar organized jointly by the Hungarian SAI and the ECA. Ms. Dürr then invited the participants to look at the EUROSAI website in



order to find the complete information on that seminar (available in English and in Russian) that could unfortunately not be presented in depth at the meeting. The representatives of the SAI of Hungary kindly requested that the materials of this training event were included in the EUROSAI website for public information.

- *Training event on performance audit (4-6 December 2007 in Luxembourg)*

Elisabeth Türk reported on the preparatory work already done. This seminar will be organised in cooperation with the Bundesrechnungshof and is planned to take place from 4-6 December 2007 in Luxembourg. It will deal with recent developments in the field of performance audit (new trends, techniques...). Case studies will be prepared by different national SAIs which will allow participants to exchange experience and to learn from each other. The number of external participants will be restricted to 50.

- *Training event on financial audit standards (Vilnius, Lithuania, 2-3 October 2008)*

Ina Baruseviciene (SAI of Lithuania) acknowledged that the preparation of that seminar was still at a very early stage. 4/5 EUROSAI experts had been invited. Other professionals should be contacted (coming for example from Denmark, Sweden). The expenses covering the organisation should be presented later to the EUROSAI Governing Board.

Danièle Lamarque reacted to that last remark and acknowledged the importance of discussing the financial organisational aspects of training events promoted by the ETC. The ETC would go into detail with this crucial issue later during the meeting.

- *Other possible training events to be organised considering the priorities fixed*

Jan Eickenboom expressed his conviction that "pilot audits" conducted by some retired auditors could be part of the ETC training activity, concrete example and specific case studies being one the best way to improve individual skills, to ac-

quire some new additional competences and a good opportunity to confront and exchange mutual experiences. Such audit might also be a good way to meet the concrete technical needs of some SAIs and to turn "theoretical" seminars into effective practical training.

Kamal Daoudi (SAI of Morocco) reminded his colleagues of the tasks ascribed to the recently created INTOSAI Capacity Building Committee (CBC). The SAI of Morocco, as a member of one of the CBC sub-committees, should for instance take part in designing a database aimed at gathering information on retired available auditors.

Magnus Borge tried to make the participants aware of the implications of such a project: if the ETC should embark on the development of pilot audits included in a greater program that would mean entering a totally new area. Besides, Magnus Borge considered that the training of young auditors should maybe not be ascribed to retirees.

Danièle Lamarque agreed on that remark since retirees may not be used to new audit methods and standards. Ms. Lamarque also stressed the inconvenient put forward by Mr. Borge concerning the length of "pilot audits". The auditors invited to take part in "pilot audits" would have to stay 1 or 2 months abroad. That would increase the costs borne by the SAIs which organise those audits. In other words, "pilot audits" might be effective but they would be very expensive.

Circulating a database, as proposed by Mr. Daoudi, could nevertheless be interesting.

Having reviewed the list of training events to be organized and confronted it to the list of training already performed and planned, María José de la Fuente remarked that some topics were still pending: social security auditing, public policies evaluation, audit of international organisations and managing SAIs; the IT and environment audit are always a priority for EUROSAI members. Ms. de la Fuente asked her counterparts whether the ETC should contact the SAIs which had said to be interested in those subjects.

Radek Majer agreed on the proposal and offered, in the name of the SAI of the Czech Republic, to host one seminar on a



topic that would be discussed and approved of by the SAI.

In reaction to Ms. de la Fuente's previous remark, Jan Eickenboom suggested to contact some of the 15 SAIs that had answered positively to the questionnaire circulated in 2005 and seemed to be willing to organize training events even if they were no ETC members.

So as to complete the list of events already planned for sure, Alexandra Kukula announced that a seminar would be organized in Bratislava, in October 2008, by the EUROSAI Environment Audit Working Group.

Elisabeth Türk proposed to update the questionnaire elaborated by the German SAI in 2005.

Jan Eickenboom firmly expressed his reluctance since a great amount of work had already been achieved through that survey in spite of the difficulties faced by the German SAI (which had to urge some of its partners). Conducting such a survey being a long lasting mission, Mr. Eickenboom considered that the time for questioning the SAIs was now over and that the next useful step would be to contact the SAIs interested in collaborating to training projects.

Helene Morpeth strengthened that opinion. The ETC would probably anyway need to launch quite soon another survey to gather up-dated information to be reported to the GB at the next congress. The ETC should therefore not waste time and avoid duplicating its surveys.

Jan Eickenboom also considered that repeating training events should not be seen as an organisational mistake. Duplication may even be part of the overall ETC training strategy. Whatever the topic, a single seminar is often not sufficient to provide all the competences and knowledge needed by the participants.

María José de la Fuente proposed that the co-chair could get in touch with the most willing SAIs.

Danièle Lamarque raised the question of language. Most SAIs hosting events would probably be unable to afford interpreters' costs.

Regarding the information circulated on websites, Ms. Lamarque admitted that

the ETC training website was not very useful. Since all the materials are in most cases available on the SAIs official websites or on the EUROSAI website (sometimes even on both kind of websites), a specific ETC website seems to be a redundant initiative.

3.3. *Building operational plan- Objective 2: Supporting EUROSAT-IDI activities*

- *Information on the training programme on "Public Debt Audit"*

Magnus Borge described that issue as the first priority of the IDI countries. He listed and briefly presented the various meetings/seminars/workshops organised in 2005, 2006 and 2007. He particularly emphasized the follow-up of the support provided to the 11 SAIs which took part in the seminar held in Baku in February 2006. Those SAIs were first required to present their audit plan, then to go through a self assessment procedure. That was checked by experts and professional auditors who helped the SAIs to redevelop the audit plans brought to the workshops. A post-workshop assessment was also planned so as to supervise carefully the follow-up of the recommendations formulated at the workshops. The eleven corrected audit plans were forwarded to all participating SAIs in order to share experiences. A follow-up letter has also been sent to them. Until now, 3 SAIs responded and commented on the implementation of those final audit plans. Magnus Borge admitted that improvements still had to be made concerning the translation of the training materials.

- *Evaluations in IDI, including evaluation of IDI-EUROSAT LTTP (Long Term Training Program) Phase II*

Magnus Borge referred to the "Kirkpatrick" evaluation model consisting of 4 levels (reaction, learning, transfer and impact) and which aims at measuring the differences between the pre-workshop skills and the post-workshop skills of the participants (what have they actually learnt?) and at taking into account the impact of



the training on the SAIs' work (the audits conducted, the reports made...). The IDI has moved to a mid-stage (between step n°2 "learning" and step n°3 "transfer") though it must be acknowledged that the improvements of the SAIs do not exclusively derive from the IDI's program.

Magnus Borge also reminded his colleagues of the fact that not all the SAIs participating in the LTTP Phase II were IDI members. Mr. Borge then briefly described the various workshops organized since 2002 in order to help selected countries/SAIs (provide them with a theoretical background, with some practical exercises on IT-audit, performance audit and management, some knowledge about interactive instruction methods). The workshops were delivered in English and in Russian. In 2006 the IDI began to evaluate the LTTP: a questionnaire (drafted in English and in Russian) was addressed to the trainers and to the participants of those trainings events to know if the workshops had indeed met the goals defined. Though the response rate of the Russian speaking group was lower than the rate of the English speaking group, some important conclusions could be drawn from the survey:

- The LTTP reached the 1st objective (an important number of specialists were certified by the IDI) and succeeded in enhancing the training systems and processes implemented in the targeted SAIs.

- But the LTTP did not reach the 2nd objective: no real duplication of the IDI training programs on the local level has been observed until now.

The IDI also tried to evaluate the following points:

- To what extent has its systematic training approach been duplicated?

- How do the SAIs use their training specialists?

According to Mr. Borge, the IDI should certainly get more experienced auditors involved on long term programs.

- *Information on other activities of IDI and activities programmed for the future*

Magnus Borge listed the main future objectives defined by the IDI:

- Enhance the professional capacity of the IDI staff.

- Strengthen the institutional organisation of the SAIs.

- Contribute to the SAIs knowledge sharing.

- Secure the environment of the SAIs.

The IDI could also work with groups of countries to target and meet the specific needs of each group (some SAIs are more developed than others and therefore do not have the same needs). The IDI also planned to develop the assessment of SAIs (gather tools and methods). The IDI also would like to measure what it has already achieved before going on: evaluating the work done until now is the first step of the next IDI strategic plan.

Radek Majer asked for additional materials from the IDI that could be very useful but is not available for every SAI (the IDI's website contains a restricted area that can only be entered by IDI-SAIs).

Helena Abreu Lopes raised the question of e-learning: how is it developed and how efficient is it (or could it be)?

Magnus Borge told his counterparts that the IDI indeed tested e-learning in Latin America (with OLACEFS) on the occasion of a course on performance audit. 60 participants and 10 facilitators took part in that course that was very positively received and proved possible to turn a traditional training course into an e-learning course. Further e-learning training events were organized in 2006 and managed by OLACEFS. No doubt that e-learning has a great potential. Developing e-learning systems of course costs a lot but the products of it can then easily be duplicated.

Helene Morpeth wondered how the traditional ETC training system should co-exist in the future with the activities carried out by the INTOSAI Capacity Building Committee.

Magnus Borge answered that cooperation would probably be established between the INTOSAI CBC and regional training committees that could turn into capacity building sub-committees. The challenge would then be to align all training plans implemented by all training organisations.



3.4. *Building operational plan- Objective 3: Supporting cooperation with Working Groups*

- *Co-operation with EUROSAI IT Working Group*

Helena Abreu Lopes presented to her colleagues how the main projects of the ITWG relate to the priority training needs identified (needs of the auditors, of the SAIs managers and of the IT specialists), also considering the fact that some needs are satisfied by the market (such as providing the SAIs with specific software's).

The ITWG chose to focus on e-government audit approach, ERM audit, IT-audit self-assessment and IT audit of revenue fraud, developing audit guidance that can be spread to SAIs through training, also meeting their training needs.

The seminars hosted in Lisbon (2004) and Vilnius (2005) aimed at preparing the SAIs to IT self-assessment. The seminar held in Bern (2006) dealt with ERM audit guide. Further seminars should take place in Luxembourg (2007) and Tallinn (2008). Those events should be very practical seminars. The 2007 one was initially intended for priority SAIs which have not yet gone through the IT self-assessment project (mainly because of a language problem or financial difficulties). But since those SAIs did not seem willing to get involved in such a project, the Luxembourg seminar should rather focus on the follow-up of the self-assessments made by the participating SAIs.

Concerning the Tallinn seminar, that probably will deal with IT systems or IT projects audit, an external expert may be required and a financial request may be addressed to the ETC so as to cover the related costs.

No further events are planned due to the fact that the ITWG has yet no plans for the activity beyond 2008.

- *Co-operation with the EUROSAI Environmental Audit Working Group:*

Alexandra Kukula rapidly provided her colleagues with some information on the events organized in the past and stressed the fact that the next step for the participating SAIs should be to implement the knowledge acquired during those train-

ing events. As for the coming events their organisation would depend on the next Coordinator of the Working Group.

María José de la Fuente also noticed that the Working Group was in fact about to reach the end of the program adopted at the last Congress.

- *Co-operation with the EUROSAI Working Group on the Coordinated Audit of Tax Subsidies*

Jan Eickenboom made a short presentation of the Seminar held on the 21 and 22 February in Bonn on tax subsidies. The Seminar was organized at the invitation of the Chairman of EUROSAI and President of the German SAI, Prof. Dr. Dieter Engels. More than 60 participants from 23 EUROSAI member countries discussed subsidy policies as well as the effectiveness and audit of subsidies. Presentations were given by delegates from the OECD, Germany's technical cooperation organisation (GTZ), Cologne University and the Netherlands's SAI. The workshop was designed to provide a professional framework for the EUROSAI-wide coordinated audit of tax subsidies and it succeeded in establishing a common background. The last meeting planned so far by the Working Group should be held in January 2008.

María José de la Fuente stressed the great activity of that Group (consisting of 17 members).

Beate Korbmacher also emphasised the complexity of that field of audit. It is often very difficult to organize a parallel audit involving various SAIs while taking into account the great variety of taxation systems.

3.5. *Building operational plan- Objective 4: Supporting cooperation with Regional Working Groups and the wider INTOSAI family*

- *Information about cooperation EUROSAI-OLACEFS*

Helena Abreu Lopes invited the participants to consult the information available on the website of the SAI of Portugal. Ms. Abreu Lopes just took the opportunity to indicate a slight change concerning the next Conference (to be held in May 2007):



the Bank President will end the meeting and not open it. She also urged her colleagues to register as soon as possible.

• *Information about cooperation
EUROSAI-ARABOSAI*

María José de la Fuente gave some information regarding the Meeting between the EUROSAI Governing Board and the ARABOSAI Executive Council which took place in Tunisia (on 30 November 2006), providing the participants an opportunity to establish a first contact and to discuss on possible ways and tools for cooperation between both Organisations. The Presidents of EUROSAI and ARABOSAI described their Organisation; the General Secretaries proposed initiatives for cooperation. A presentation was made by the President of the Dutch SAI in relation to cooperation on IT field. Discussion was open and possible ways of cooperation were put forward such as: cycled scientific symposiums, SAIs study visits, mutual participation in training events, exchange of experiences and share of information, promotion of joint activities in areas of common interest, cooperation between working groups of both Organisations.

Martina Hampel of the German SAI made a report on the Conference held in Tunisia in December 2006. That meeting dealt with the topic of privatisation and a comparison was made between the European approach and the Arabic approach. 8 specific cases were studied during a productive discussion and a fruitful exchange.

• *Cooperation with the INTOSAI
Capacity Building Committee*

Kamal Daoudi thanked his colleagues for having the opportunity to attend the ETC meeting and reminded them of the most important developments. The CBC created for example "sub-committees" and Mr. Daoudi also noticed that the EUROSAI members were quite well represented in the Steering Committee. Until now, the CBC has designed its website and prepared a pilot project on capacity building.

Since it is the SAI of the U.K. which is leading the Sub-committee n°1, Helene

Morpeth took the floor to remind her colleagues of the main task ascribed to that Subcommittee: promote increased capacity building activities. A draft has already been elaborated that should be discussed in London, on the 19th of March, and then be circulated.

Speaking in the name of the leading SAI of the Sub-committee n°3, Jan Eickenboom emphasised the current promotion of best practices for peer reviews. The guideline drafted so far (focusing on practical issues) should be debated in June 2007, at the next meeting of the Subcommittee. This document will be designed to help those SAIs involved in such peer reviews. The ETC might be interested in the section concerning human resources (recruitment, staff management...). The guideline still is opened to comments.

María José de la Fuente asked for possible ways to strengthen future cooperation between the ETC and the INTOSAI CBC.

Kamal Daoudi acknowledged that the CBC would have to wait until the overall project has become more mature.

• *Information on the implementation of
the INTOSAI strategic plan 2005-2010*

Eszter Dürr briefly described the context and presented the content of the document adopted. The 4 goals defined were:

- Goal 1: accounting and professional standards.
- Goal 2: institutional capacity building.
- Goal 3: knowledge sharing.
- Goal 4: model international organisation.

Ms. Dürr also reported on the extraordinary INTOSAI Governing Board meeting (held in March 2005, in Budapest) and on the next meetings planned, among which the next INCOSAI meeting (the first Congress organised after the adoption of the Strategic Plan).

Jan Eickenboom asked for some details concerning the attendance fees.

Eszter Dürr evaluated the fees up to 290 € per participant and 330 € per accompanying individual. She also stressed the rules concerning the possible number of delegation members.



3.6. Building operational plan- Objective 5: Expand the use of web sites and publications

- *Information on the EUROSAI website*

María José de la Fuente reasserted the fact that the EUROSAI website was maintained as up-dated as it could be. Any information or modification provided by a SAI is incorporated into the website. New links have been added, others will soon be. The calendar of the events has been updated. The last EUROSAI magazine and newsletter have been up-loaded and are now available on the website. As for the contact details of each SAI, they are updated when necessary according to the information provided by each SAI. Some recent resolutions concerning the ETC also have been added to the website. The next step will be to collect all documents related to all previous EUROSAI Congresses and to up-load them. But the older the congress is, the more difficult it is to gather all the information related to it.

Ms. de la Fuente also informed her colleagues that the item “Newsgroup” of the website had been deleted as it was not being appropriately used. She reminded the possibility to incorporate into the EUROSAI website national information regarding the audit of revenues, since that suggestion has been raised by the VI EUROSAI Congress.

- *Information on the EUROSAI training website*

Danièle Lamarque repeated the remarks she had made earlier in the discussion. The ETC website seems quite redundant with the EUROSAI website as well as with the official website of each SAI. A better solution –also an easier one to manage– could be to up-date regularly the links existing between the calendar of events available on the EUROSAI website and the webpage dedicated to each event (on a specific website or on the website of the SAI which organized the event). Ms. Lamarque therefore proposed to maintain only the EUROSAI website. Each SAI should then ensure the availability of the information concerning its own training activities.

María José de la Fuente drew the attention of the participants on the responsibility of each SAI in helping to keep updated the EUROSAI website. The EUROSAI Secretariat is open to create additional links in the website but the information provided has to be regularly checked by the interested parties. In relation to the suggestion made by Ms. Lamarque, Ms. de la Fuente said that the EUROSAI Secretariat would be happy to include the information concerning training in the EUROSAI website, maintaining only one website in the scope of EUROSAI. But she remarked that the Secretariat could not afford to take also the task of collecting and elaborating the information concerning training. Ms. de la Fuente wondered whether the French SAI would accept to do it. Ms. Lamarque agreed with that proposal.

The ETC agreed to propose the Governing Board to take the decision of maintaining only the EUROSAI website hosted by the Secretariat that would include in the future the information concerning training. The SAI of France would take the task of collecting and drafting the information on the issue that should be sent to the EUROSAI Secretariat for being uploaded.

- *Information on EUROSAI publications*

María José de la Fuente provided information on the EUROSAI publications produced since the last ETC meeting (2006): Newsletter (issues no. 36, 37 and 38) and Magazine (issue no. 12). She announced that Magazine n° 13 was being prepared, remembering the ETC participants the invitation to send a contribution for it).

3.7. Building operational plan- Objective 6: Expand the co-operation with Universities

- *Further development of co-operation*

Elisabeth Türk reminded the intention of the questionnaire to be launched by the SAI of France.

Danièle Lamarque supported that idea while re-affirming the need to get information on the co-operation existing between the SAIs and some partner universities.



She confirmed that a questionnaire would be drafted to be circulated among the SAIs.

4. Exploring other issues

4.1. Certified European Public Sector Auditor Qualification

A pre-meeting on this issue was held in the afternoon of the day before the meeting, in which representatives of the SAIs of Austria, the Czech Republic, Denmark, France, Germany, Hungary, Lithuania, Poland and of the ECA participated and where Mr Kellner presented, as a case study, the Austrian MBA of Public Auditing. A discussion about the issue of certification took place.

During the meeting of the ETC a short overview of this discussion and the developments within EUROSAI members were given by Elisabeth Türk. In addition, Mr Kellner presented again the Austrian professional MBA of Public Auditing. This MBA was launched in February 2006 by the University of Vienna in cooperation with the ACA. As the ACA has always needed experienced auditors, only colleagues with professional experience have been recruited. In addition, all newly recruited auditors had to pass internal exams, for which the training was provided by the ACA in cooperation with the other ministries. As this cooperation finished, the ACA developed together with the Vienna Economics and Business University a specific MBA of Public Auditing.

Elisabeth Türk then presented an overview of the Danish certification scheme on behalf of the delegates from the Danish SAI who had attended the preparatory meeting the day before, but could unfortunately not take part in the ETC meeting.

Ms. Türk moved afterwards to the discussion of the creation of a European Public Sector Audit Diploma (PSAD). She summarised the history of that project (reviewing the training strategy adopted in Lisbon, the resolutions adopted in Warsaw, the ETC meetings held in London and in Luxembourg and, the launch of the questionnaire by the ECA end of 2006,).

The questionnaire helped to gather a great amount of fruitful information and Ms. Türk therefore expressed her satisfaction regarding the very good feed-back of that survey. The following main conclusions could be drawn from the answers provided by the various SAIs: qualification appears to be a relatively new topic/field which is tackled in very different ways by each SAI. It is very difficult to combine those specificities into a kind of general syllabus that could be applied to each country. Anyway, in most cases, the costs of the auditors' qualification were borne by the SAIs.

All those mid-term conclusions lead to the following question: where do we want to go? What are the SAIs' needs: an academic diploma; a professional accreditation? What are they ready to implement? For which targeted groups should the training services be intended: students; auditors?

Describing the global project as a train consisting of an ETC-locomotive and SAIs-wagons, Ms. Türk proposed at the end of her presentation to follow a kind of road map linked to some main tasks such as launching a questionnaire on the existing cooperation between SAIs and universities (that could be done by the French SAI); trying to develop a common syllabus and draft a report to be presented at the next meeting of the PSAD working group.

Magnus Borge (IDI) noticed that the same topics were discussed within the INTOSAI community which meant that the question of certification was indeed a global issue. Concerning the scope of the questionnaire circulated by the ECA, Mr. Borge wanted to undermine a little bit the satisfaction expressed by Ms. Türk. Mr. Borge stressed first the fact that most EUROSAI members are EU members and he noticed that not all the "old" EUROSAI members responded to the questionnaire which he found a bit disappointing. He also expressed his concern about the attitude of the Eastern European countries. They don't seem very involved so far: why is that so? Why are they not interested in the project? How could they join the project? They may have not answered the questionnaire but they certainly have the same needs in terms of training and qualification.



María José de la Fuente referred to the specific case of Spain (presented in the analysis of the questionnaire as a “no-no” country: it has no PSA programme and is not interested in the creation of a common PSAD). She remarked that the initiative proposed was very interesting and that it had no opposition at all from the Spanish side (the replies of the SAI to the questionnaire should not be understood as the ones of a “no-no” country), but that it was subjected to some legal limitations taking into account the system operating in each country. In the case of Spain, becoming a public auditor requires that the candidates hold a university degree in concrete specialities legally regulated and to pass an official competitive examination. Having a good university background would not be sufficient and passing the competitive examination is compulsory. A European PSAD (an MBA) would be very good for completing training and for improving the background but it would not be enough and not even be a prerequisite to become a public auditor.

Wilhelm Kellner reacted and made clear that the MBA offered by the Vienna University was now a prerequisite to become an auditor of the ACA (it is compulsory to have attended it and the MBA is mentioned in the hiring contract).

Elisabeth Türk reaffirmed her opinion that it should be possible to agree on a common syllabus. It could be especially interesting in the field of auditing EU funds. The ECA could act as a coordinator (since it has an overview) and the IDI could act as an initiator trying to involve the Eastern European countries.

Helene Morpeth congratulated the ECA for the survey conducted and proposed to post the Excel sheet summarizing the results of the questionnaire in a very clear and useful way on the EUROSAI website. The most advanced SAIs and their partners (courses’ providers) should be identified and contacted so as to benefit from their experience and resources.

María José de la Fuente, in relation to the results of the questionnaire, proposed that rather than posting the full sheet related to them on the website – as suggested by Ms. Morpeth – it would be more advisable to incorporate a summary of the results, without details of the replies of each SAI, for avoiding misinterpretations com-

ing from limitations imposed by the legal systems of each country. It would be good to make reference also to the problems raised and possible solutions. Ms. Türk agreed on this perspective.

Referring to the preparatory meeting, Danièle Lamarque agreed with Ms. de la Fuente : the national backgrounds (the legal framework and the academic system) still differ so much from one country to another that the SAIs have to be very cautious and to take into account the specific needs and possibilities of each country. Therefore Ms. Lamarque suggested clarifying first the kind of certification that each SAI would like to provide its auditors with. Some SAIs may be interested in a real academic “diploma” whereas others may prefer a kind of “qualification certification” aimed at recognizing the auditors’ professional capacities. Certification certainly is a very interesting issue but it is also a sensitive one.

In the same way as Ms. de la Fuente presented the specific Spanish case, Ms. Lamarque made a special reference to the French National School of Public Administration (ENA). The school consists of 50 % of students and 50 % of already experienced public servants. Trying to convince them of the necessity to go back to university in order to attend an MBA and then obtain a diploma would certainly raises great protests and be very hard to achieve. For all those reasons, Ms. Lamarque suggested to focus first on gathering information on the kind of relations existing between some SAIs and universities, as well as on the hiring system of each SAI (who do they hire? What are their requirements?). That work could be done by a small group of ETC members, if the ETC would accept the creation of such a working group. That proposal was indeed unanimously accepted.

The SAIs of Hungary, Poland and Czech Republic were asked to draft a syllabus of the PSAD and present it at a meeting that would be held in Luxembourg, hosted by the ECA.

4.2. Key training available on internet

Magnus Borge briefly summarized the main conclusions that could be drawn from the IDI experiences. Some information was indeed made available afterwards on the IDI website. Not the full training materials were available but so called “ses-



sions at a glance” were created. The full information can yet be obtained for free by the SAIs on request. Mr. Borge also stressed the fact that the materials put on the IDI website were standardised materials contributing to the implementation of the IDI’s “systematic approach”.

Beate Korbmacher suggested that the ETC should follow the IDI example and incorporate on the EUROSAI website summaries of the training events organized and adequate contact details rather than posting all the information on the Internet.

All the meeting’s participants agreed with that proposal.

María José de la Fuente raised the question of the recommendations and conclusions usually formulated at the end of the meetings: could they be posted on the website? Since they are not technical information. The participants accepted to have them incorporated into the website.

Beate Korbmacher just invited her colleagues to remain careful and sensitive to what they wanted to make available for anybody on their website.

Whilst recognising that there may be certain copyright issues around some of the training material produced, Helene Morpeth also commented that a ‘blanket’ restriction on all training material may not be necessary. It would be preferable to consider any potential copyright issue on a case by case basis.

Danièle Lamarque agreed with Ms. Korbmacher and stressed again the need to be very cautious that the documents circulated could not be used for commercial purposes. The availability of training supports should then depend on the type of information. Each SAI should then decide whether it would like to keep restricted access to some specific information or not. It may thus not be necessary to cut off all the materials already posted on websites but simply to check carefully what is made available.

María José de la Fuente proposed to stick to the idea of posting on the websites a list of documents that could then be given to the interested SAIs on request.

Helena Abreu Lopes expressed her scepticism. Since we are considering the ETC as an information sharing organization, we should be flexible on that issue. A good solution might be to post all training

information and documents on the Internet but on a restricted area (or closed part) of the websites that could only be entered with a password. Ms. de la Fuente accepted to study, from the EUROSAI Secretariat, the initiative of creating a restricted area in the website for training materials and informing the ETC for further decisions to be taken.

4.3. Guidelines for managing training within SAIs

- *Discussion on national papers provided*

Due to the little time left, María José de la Fuente proposed to postpone the discussion of this item to the next ETC meeting.

- *New Mentor Manual*

Elisabeth Türk offered information on the New Mentor Manual drafted by the European Court of Auditors to those ones that could be interested on it.

- *Discussion on the opportunity of drafting orienting guidance for training*

María José de la Fuente raised the question of the opportunity and the usefulness to draft orienting guidance for training in EUROSAI. A discussion on the issue followed.

The SAIs of Hungary and of the Czech Republic were asked to draft the first version “guidelines/recommendations” for hosting and organising seminars and these should then be circulated among ETC members for additional comments.

5. EUROSAI financial contributions to seminars and training events:

- *Information on the financial support for training agreed at the XXXI Governing Board Meeting*

María José de la Fuente reminded the participants of the agreements taken by the EUROSAI Governing Board granting the financial support requested by the SAIs of the Czech Republic and Hungary for organising EUROSAI training Seminars, and by IDI for partially financing the pro-



gramme on “Auditing Public Debt”. Ms. de la Fuente drew the attention of her colleagues on the amount of money still available in the EUROSAT budget for supporting training events.

Ms. de la Fuente informed also that the Governing Board had not considered necessary to include in the EUROSAT granting of subsidies for training, as it has been advised by the Auditors of EUROSAT, any specific requirement concerning justification; except in the case of the requests made by IDI, that should follow the specific justification system initiated in relation to the request made in 2003 referred to the Phase II of the Long Term Regional Training Programme.

- *Request of financial support of the SAI of Lithuania*

The request made by the SAI of Lithuania for partially supporting a EUROSAT training Seminar on “Financial Audit Standards”, to be held in Vilnius in 2008, was presented to the ETC, that supported it unanimously.

- *Drafting a guidance on ETC criteria for financial contributions for training events*

Danièle Lamarque pointed out the interest of having uniform ETC criteria in relation to financial contributions to be granted from EUROSAT for training events. She suggested to include a reference to this issue while preparing the paper with proposals for the EUROSAT Training Strategy 2008-2011 and the one referred to the ETC operation (see items 3.1.3 and 3.1.5 of the minutes).

The ETC agreed the initiative proposed by Ms. Lamarque.

6. Information on ETC membership

- *Information on the agreement of the XXXI EUROSAT Governing Board in relation to the request for ETC membership for the SAIs of Lithuania and Hungary*

María José de la Fuente informed that the EUROSAT Governing Board had

agreed on accepting the ETC membership request of the SAIs of Lithuania and Hungary, taking into account their previous condition as ETC observers, as well as their strong involvement in EUROSAT training. The Governing Board had insisted, once more, in the main principles for ETC membership: inclusive character of the ETC with a simultaneous maintenance of a small structure to guarantee and efficient operation. She welcomed the new ETC members.

- *Request of the SAI of the Russian Federation for ETC membership*

María José de la Fuente presented to the Governing Board the request made by the Russian SAI for EUROSAT membership, making reference to the precedent action followed with the SAIs of Lithuania and Hungary. She reminded the contribution of the Russian SAI to EUROSAT training and to the cooperation of the Organisation with IDI and ARABOSAI. She announced that the Russian SAI was willing to host the following ETC meeting. Ms. de la Fuente suggested that, if the ETC would support the Russian’s request, the proposal to be raised to the Governing Board on the issue could follow a double step procedure- first, observer; and later on, membership, as it had been done in previous cases.

Eszter Dürr acknowledged that the Russian SAI had provided the SAI of Hungary with a great help for the organization of the training events hosted by the Hungarian SAI.

Danièle Lamarque reacted to the wish of the Russian SAI to host the next EUROSAT –ARABOSAI joint Conference. The information has not been confirmed until now (is it a solid proposal?) and it is up to the Governing Board to decide. Besides, Ms. Lamarque reminded her colleagues of the fact that the question had in fact already been solved in Bonn and again in Tunis considering the proposal made by the SAI of France. Danièle Lamarque again stressed the fact that such proposals do not have to be discussed at the meeting of the ETC for it is the EUROSAT Governing Board that will have to decide.

Magnus Borge considered that if the ETC should go on like this, all the



EUROSAI members would soon also belong to the ETC. It is of course good that so many SAIs seem interested in joining the ETC, but the larger the ETC will be, the more difficult it will be to manage. As for the specific case of the Russian Federation, there is no reason to reject its request according to the ETC resolutions. Mr. Borge also acknowledged that the Eastern European Countries were among those countries which now have the greatest needs in the field of training.

Helena Abreu Lopes also supported the idea that Russia could be a “voice” for the Eastern European Countries.

Helene Morpeth emphasised the benefits provided until now by the Russian participation in the ETC as a guest. It may be time to move toward the question of joining the ETC as a full-fledged member.

Radek Majer declared that the Russian Federation could hardly be denied the right to be represented at the ETC. As for its status, it could be further discussed.

Zuzana Holoubkova raised the question of organizing 2-languages training

events (in Russian and in English). Such events are quite difficult to set up yet the Russian Federation membership could perhaps facilitate it.

Considering all those previous remarks, the participants accepted to support the Russian request and to submit it to the EUROSAI Governing Board on the condition that the Russian Federation should first be granted the “observer” status (in the same way as it had been done for Lithuania and Hungary).

7. Date and place of the next meeting

María José de la Fuente again referred to the Russian proposal. It was agreed that the ETC should get in touch with the Russian SAI.

María José de la Fuente and Danièle Lamarque, ETC co-chair, thanked the German SAI for hosting so kindly and efficiently the XV ETC meeting; as well as the participants for their contributions and the fruitful debates. The ETC meeting was closed.



SUMMARY OF THE XVI EUROSAI TRAINING COMMITTEE MEETING

Moscow (Russian Federation), 27 and 28 March 2008

The EUROSAI Training Committee held its XVI Meeting in Moscow on 27 and 28 March 2008, under the host of the Accounting Chamber of the Russian Federation. In addition to the Committee Members, the meeting was also attended by representatives of the European Court of Auditors, of IDI and of the Presidency of the Capacity Building Committee of INTOSAI; entities with which EUROSAI has been cooperating on a regular basis.

Although the minutes will be submitted to the approval of the Training Committee in its forthcoming Meeting (Lisbon, Portugal, at the beginning of 2009), it is considered to be of interest to provide some brief prior information on the main themes dealt with and decisions adopted in it:

1. The Training Committee discussed aspects related to the triple scope of action in which it undertakes its work: the execution of the 2005-2008 Training Strategy, the works on its own organisation and internal structure, and the proposals for the VII EUROSAI Congress (June 2008).

2. Recent activities and events developed and scheduled in application of the operating plan for putting into practice of that Strategy were reported on, as were the results of the execution of the complementary training initiative promoted by the Presidency of EUROSAI in collaboration with the Academy of European Law of Trier and the German Entity GTZ.

3. The development of the EUROSAI Training Strategy, approved by the VI



Group Photograph of the XVI ETC Meeting.

Congress, was examined, and its results and effectiveness of its management were assessed. For this, a detailed analysis was conducted of the actions developed and the impact obtained in application of each of the strategic objectives. The achievements obtained were weighed up, along with the weak points of the system, the aspects and areas that deserve to be reinforced and those which revealed themselves to be of less interest for the Organisation.

The promotion of quality training obeying the effective needs of each of the subregions of EUROSAT, the conducting of a closer monitoring of that quality and the homogenisation of the evaluation systems, the promotion of cooperation at all levels in order to increase the impact of the training, and the effective constitution of networks of experts: these were some of the aspects highlighted in the analysis. It was stressed that the training promoted from EUROSAT had to complement and contribute towards reinforcing the respective internal strategies of its Members. Also, emphasis was placed on the interest in developing innovative training initiatives and in searching for complementary formulas for financing, the provision of training via the Internet and intensification in the use of information technologies for increasing the number of beneficiaries and reducing costs; along with the use of the EUROSAT web site and publications as training vehicles.

4. In relation to its organisation and internal structure, the Training Committee

focused its efforts on examining its functioning during the three-year period, evaluating the efficacy of operations in the development of the mandate assigned to it, and the challenges pending in view of the results obtained and lessons learnt. It was resolved to continue working on the design of systems that would facilitate an efficient action and an adequate distribution of functions and responsibilities within the Committee, on the drawing up of guidelines for organising training events in EUROSAT, on the continual updating of the information on the training needs of the Organisation, and in improving formulas that will permit a proper monitoring and evaluation of the training. The Training Committee will likewise continue with works directed towards the homogenisation of criteria in the adopting of agreements on different matters relating to training in which it assists the Governing Board of EUROSAT.

5. The Training Committee also oriented the debate towards proposals to be presented to the VII EUROSAT Congress. In view of the evaluation of the execution of the 2005-2008 Training Strategy, it was agreed to propose a revised Strategy for the period 2008-2011, with a statement of the objectives to tackle and guidelines for carrying them through. A definition will also have to be made of quantifiable indicators of action in view of the new circumstances of the environment and of the concurrent challenges with respect to the training to be given in the future.



6. As far as financial aspects were concerned, emphasis was placed on the need to strengthen the commitment of EUROSAI to training in this field, and possible measures were discussed aimed at homogenising the criteria for the granting of subsidies charged to its budget.

The Training Committee supported requests for financial aid presented by the SAIs of Estonia and of the Czech Republic in order to organise two training events in 2008 and another in 2009.

It was agreed to propose maintaining the amount of credit dedicated to training in the EUROSAI Budget for 2009-2011, to be approved by the VII Congress; with the

possibility of reconsidering in the future the indices established for the setting of each of the financial aids requested, in line with the quota groups to which the requesting SAI belongs.

7. Information was provided on activities undertaken during the last year by IDI and by the Capacity Building Committee of INTOSAI and their future strategies. A discussion was entered into on new cooperation formulas with the EUROSAI Training Committee, fundamentally based on the exchange of experiences and on sharing information, experiences and knowledge, promoting a greater exchange of training materials and of information available in its databases.

WORKSHOPS AND SEMINARS ORGANISED BY THE EUROSAI CHAIRMAN¹

SHARING INFORMATION - SHARING OPINIONS - SHARING LESSONS LEARNT



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These were the key words governing Prof. Dr. Dieter Engels's activities who initiated a series of training events and workshops during his term as EUROSAI Chairman in keeping with the training strategy of EUROSAI's Capacity Building Committee. The activities undertaken were guided by three objectives:

The first objective was the strengthening of the close cooperation and the exchange of experience within the organisation. As technical cooperation and the sharing of lessons learnt are intensified and extended above all in EUROSAI's working groups, the EUROSAI Chairman organised workshops for each of the organisation's working groups. (see fig. 1).

The second objective was to provide support for further development of the EUROSAI members. The fundamental historic changes of the last 20 years of the past century made imperative reorienting, further developing and modernising governmental institutions. As a result of the

widely different constitutional and historical backgrounds of EUROSAI Member SAIs, sharing lessons learnt among the

Fig. 1

Training events for the EUROSAI Working Groups

- ✓ **Working Group on Coordinated Audit of Tax Subsidies:**
Basic initial workshop, 21-22 February 2006
- ✓ **IT Working Group:**
Workshop on European Data Protection Law, 9-10 November 2006
- ✓ **Working Group on Environmental Auditing:**
Workshop on Nature Protection, 6-7 February 2006
Workshop on Climate Change, hosted jointly with the Working Group Chair, 11-12 March 2008

¹ Bundesrechnungshof/EUROSAI Chairman Support Team.

EUROSAI audit community is particularly fruitful. Three workshops on new trends and approaches supported this exchange of experiences (see fig. 2). They provided EUROSAI members with forums for discussions and with the possibility to share information, opinions and lessons learnt as well as to update on new trends and to identify common approaches and best practises.

Fig. 2

Workshops on new trends and approaches
✓ Workshop on Budgetary Reform Approaches , 26-27 October 2006
✓ ETC Training Event on Performance Audit in cooperation with the European Court of Auditors, 4-6 December 2007
✓ Seminar on Management of an SAI , 9-11 April 2008

The third objective, enhancing the relationships with the other regional organisations ARABOSAI and OLACEFS, was based on a decision made by the VI EUROSAI Congress. This decision is reflected above all in interregional conferences such as the EUROSAI-OLACEFS Conferences held in Lima in November 2005 and in Lisbon in May 2007, as well as the newly established interregional conference with ARABOSAI that took place in Tunisia in December 2006.

In addition, Prof. Dr. Engels contributed to this development by inviting Member SAIs of both ARABOSAI and OLACEFS to participate in some of the workshops and seminars. The invitations were accepted by representatives of the ARABOSAI member SAIs Algeria, Tunisia and Morocco and of OLACEFS member SAIs Ecuador and Peru, all of them enriching the discussions by reporting the developments in their countries or regions.

Experience

The German SAI has gained new insights and valuable experience when organising and conducting a series of seminars and workshops as part of the

EUROSAI chairmanship. We would be happy to share with EUROSAI members the vast experience we gained while delivering the capacity building events:

1. Evaluating the merits of seminars and workshops

One merit of events with international attendance is that all participants are offered know-how from a broader perspective and more options for making comparisons than this is the case in events of a purely national nature. A precondition for making the difference, however, is on the one hand that the matters discussed are of common interest and significance. On the other hand, each group of delegates needs to be carefully composed to ensure that all participants can mutually benefit from the matters presented and from each other's know-how.

Seminar topics were selected on the basis of a prioritised needs list as part of an ETC survey which has proven a very effective tool. The survey also served to identify events proposed or conducted so far thus helping us avoid any duplication of effort or other inefficiencies. We were pleased to offer a seminar on a high-priority matter such as performance audit which was hosted jointly by the EUROSAI Chairman and the President of the European Court of Auditors in Luxembourg. Also the EUROSAI Chairman has worked closely with the Polish SAI that is currently chairing the working group on environmental audit and will succeed the German SAI as EUROSAI Chair.

The composition of the participants' group depends on a large extent on the contents and the purpose of the event conducted: The more specific the matter for training and sharing information, the more limited will be the number of those who can effectively provide input. The more fundamental and general the matter, the larger the number of potential participants will be. This is illustrated by the example of a training event designed to impart basic knowledge to provide a footing for more specific work to follow. The ETC proposed to conduct a survey of individual situations and expectations of participants beforehand. This worked very well for a seminar of the Working Group on environ-



mental audit. At a preliminary meeting they defined their training needs and coordinated the programme desired directly with the European Legal Academy.

We have also found that it may be worthwhile holding a joint seminar before a new working group embarks on a project. Such an event can help reach a common level of understanding among all participants and enable them to better define and structure their future task.

Retrospective programme evaluation of capacity building courses is an absolute requirement. Discussions held in the course of ETC meetings have clearly illustrated that diverse criteria may be applied to this end which are especially tailored to the needs of EUROSAI. The large number of registrations for a training course may serve as an initial indicator of the interest among the EUROSAI community for the topic chosen. Frequent and meaningful comments and vivid discussions also show the training host that the papers have been well received, well understood and have stimulated thought. Most decisive however, is the question as to whether in their later audit work participants will live up to the standards set in the workshop. This question is difficult to answer by any hosting organisation. The positive response may be confirmed, for example, if after participating in a specific training event a working group engages in a successful joint or parallel audit mission. Hosting organisations also need to rely on the feedback by participants and trainers. The ETC has prepared a very useful questionnaire for each of the two groups. The questionnaires have already been used for the seminar on performance audit.

2. Lessons learnt from working with academic institutions

In accordance with the wish expressed by the ETC to rely more strongly on academic institutions in training and audit activities of EUROSAI and its member SAIs, the EUROSAI chairman has conducted some training seminars at the Academy of European Law which is a public foundation set up at the initiative of the European Parliament and encompassing by now twenty patron countries in Europe. In other training events for

EUROSAI member SAIs, we have engaged experts from academia (Universities of Cologne, Paris X Nanterre and Munich) to provide high-quality training. Their task was to complement the papers presented by SAIs placing the topic chosen in scientific, legal or policymaking environments and discussing it more in detail from a different perspective. Apart from that, it has also been a most enriching experience to let external experts join EUROSAI members' discussions thus offering SAIs assurance and external feedback on their approaches.

Working closely with an academic educational institution such as the Academy of European Law has the merit, that such an institution operates a dense network of excellent subject-matter experts with varied professional backgrounds from different international universities, authorities and organisations. It was a huge advantage for us to rely on their training infrastructure and organisational skills when conducting some training events. As a matter of course, we had to bear the resulting cost.

Usually the close liaison with academic education and research institutions ensures high-quality papers and a professional presentation style. The matters presented need to build on the assumed level of knowledge of the respective participants' group. Pragmatic aspects such as concrete case studies should also be included in the paper.

It has been for us a special challenge to find a suitable number of lecturers from academia with pertinent backgrounds who are also well acquainted with current government auditing aspects. For this reason, it has been rather helpful to thoroughly discuss relevant matters from the point of view of external audit beforehand in a reflective dialogue with the relevant lecturer. An alternative option was to request subject matter experts from academia to present the general legal or scientific fundamentals and entrust pragmatic papers on audit case studies to audit specialists from EUROSAI member SAIs. It would be helpful if we could build on the contacts established so far to operate and maintain a network of EUROSAI with academia in which government audit know-how and approaches may be further developed.



3. Lessons learnt from working with development organisations

Three seminars offered by the EUROSAI Chairman have been hosted jointly with the "GTZ" a German non-profit organisation for technical cooperation with developing countries. Working in collaboration with the GTZ took various forms ranging from joint planning to establishing contacts with audit practitioners and using their locations and facilities.

Building on the wealth of experience gained from development cooperation projects and the professional know-how on the global state of external audit, the GTZ provided additional impulses for training matters. When preparing the seminars the EUROSAI Chairman could also draw on the didactic experience available at the GTZ. They advised us to carefully structure capacity building events and offer a range of diverse activities such as complementing lectures by plenary or panel discussions or discussion groups, workshops and case studies.

Apart from operating a network of training specialists from other organisations the GTZ can draw on a pool of its own experts having gained experience in development cooperation on good gover-

nance matters and external audit in various parts of the world.

The ETC has rightly made the point that the independence of EUROSAI and its members need to be safeguarded when working together with external organisations. This applies especially to respecting the prioritisation of training topics made by the ETC. As a result, cooperation with development organisations and others can take place in a limited context only, i.e. areas of overlapping interests where development tasks and EUROSAI needs coincide and synergies may evolve. This is all the more true if financial support and/or in-kind support is provided.

Finally we wish to stress the fact that all courses delivered during the German EUROSAI chairmanship have benefited in the first place from involving EUROSAI members both as participants and instructors. The training courses have only been possible, because member SAIs have been unstinted in their effort and support provided, committed to sharing their SAI's experience with all participants, frankly exchanging views and new ideas on how to deal with current challenges. We sincerely hope that in return expected benefits have accrued to all those involved as participants or instructors.



EUROSAI ACTIVITIES IN 2007

- **WORKSHOP ON "EUROPEAN ENVIRONMENTAL LEGISLATION", IN COOPERATION WITH THE ACADEMY OF EUROPEAN LAW OF TRIER**, Trier (Germany), 6-7 February 2007.

- **IV MEETING OF THE WORKING GROUP "COORDINATED AUDIT ON TAX SUBSIDIES"**, Warsaw (Poland), 16 February 2007.

- **SEMINAR ON "AUDIT QUALITY" IN COLLABORATION WITH EUROSAI**, Budapest (Hungary), 1-2 March 2007.

- **XV EUROSAI TRAINING COMMITTEE MEETING**, Bonn (Germany), 8-9 March 2007.

- **I MEETING OF THE SUB-GROUP "AUDIT OF THE CONSEQUENCES OF NATURAL DISASTERS AND RADIOACTIVE WASTE" (WORKING GROUP ON ENVIRONMENTAL AUDIT)**, Kiev (Ukraine), 16 March 2007.

- **XIX UNITED NATIONS/INTOSAI SEMINAR**, Vienna (Austria), 28-30 March 2007.

- **V MEETING OF THE WORKING GROUP OF EUROSAI ON INFORMATION TECHNOLOGY. SEMINAR ON "ANALYSIS OF THE MOST FREQUENT PROBLEMS OF SAIs REGARDING IT"**, Luxembourg (European Court of Auditors), 17-18 April 2007.

- **V EUROSAI-OLACEFS CONFERENCE**, Lisbon (Portugal), 10-12 May 2007.

- **V MEETING OF THE WORKING GROUP “COORDINATED AUDIT ON TAX SUBSIDIES”**, Bratislava (Republic of Slovakia), 11-12 September 2007.

- **XXXII EUROSAI GOVERNING BOARD MEETING**, Bern (Switzerland), 13 September 2007.

- **EUROSAI SEMINAR ON “AUDIT OF THE EXECUTION OF THE KYOTO PROTOCOL”**, Bratislava (Slovak Republic), 3-5 October 2007.

- **SEMINAR ON “STRUCTURE OF THE EUROPEAN UNION”**, in cooperation with The Academy of European Law, Trier (Germany), 23-25 October 2007.

- **XIX INTOSAI CONGRESS**, Mexico DF (Mexico), 5-10 November 2007.

- **SEMINAR ON “PERFORMANCE AUDIT – WHERE DO WE STAND?”** in collaboration with EUROSAI, Luxembourg (European Court of Auditors and SAI of Germany), 4-6 December 2007.

EUROSAI ACTIVITIES IN 2008

- **CONCLUSION MEETING OF THE EUROSAI WORKING GROUP FOR A COORDINATED AUDIT ON TAX SUBSIDIES**, Bonn (Germany) 29-31 January 2008.

- **MEETING OF THE EUROSAI WORKING GROUP ON INFORMATION TECHNOLOGY**, Ljubljana (Slovenia), 18-20 February 2008.

- **SEMINAR ON “CLIMATE CHANGE”**, IN COOPERATION WITH THE EUROSAI WORKING GROUP ON ENVIRONMENTAL AUDIT AND THE ACADEMY OF EUROPEAN LAW, Trier (Germany), 11-12 March 2008.

- **XVI EUROSAI TRAINING COMMITTEE MEETING**, Moscow, (Russian Federation), 27-28 March 2008.

- **SEMINAR ON “SAI MANAGEMENT”**, Berlin (Germany), 9-11 April 2008.

- **III MEETING OF THE SUBGROUP “AUDIT OF THE CONSE-**

QUENCES OF NATURAL, MAN-CAUSED DISASTERS AND RADIOACTIVE WASTES” (Working group on Environmental Audit), Kiev (Ukraine), 13 May 2008.

- **VII EUROSAI CONGRESS**, Krakow (Poland), 2-5 June 2008.

- **XXXIII MEETING OF THE GOVERNING BOARD**, Krakow (Poland), 2 June 2008.

- **XXXIV EUROSAI GOVERNING BOARD MEETING**, Krakow (Poland), 5 June 2008.

- **SEMINAR ON “FINANCIAL AUDIT STANDARDS”**, Vilnius (Lithuania), 2-3 October 2008.

- **SEMINAR “UNDERSTANDING COBIT, IN SUPPORT OF AN AUDIT OF IT GOVERNANCE”**, Tallinn (Estonia), 9-10 October 2008.

- **SEMINAR ON “AUDIT OF SOCIAL SECURITY SYSTEMS”**, Prague (Czech Republic), 10-12 November 2008.

ADVANCE OF THE EUROSAI AGENDA 2009

- **XVII EUROSAI TRAINING COMMITTEE MEETING**, Lisbon (Portugal) January/February 2009.

- **SEMINAR ON “EXPERIENCE WITH THE IMPLEMENTATION AND DEVELOPMENT OF VFM AUDIT IN REACTION TO NEW CHALLENGES AND CHANGES OF THE ENVIRONMENT”**, Prague (Czech Republic), April 2009.

- **II EUROSAI-ARABOSAI CONFERENCE**, France, 29-31 March 2009.

- **VI EUROSAI-OLACEFS CONFERENCE**, Margarita Island, 13-16 May 2009.

- **XXXV EUROSAI GOVERNING BOARD MEETING**, Kiev (Ukraine), End of first half of 2009.



NEW CHAIRMAN OF EUROSAT

On 2 June, at the VII EUROSAT Congress in Kraków, Prof. Dieter Engels, the President of the German Bundesrechnungshof handed over the chairmanship of the EUROSAT to his Polish colleague, Mr Jacek Jezierski, President of the NIK.

Mr Jezierski was appointed President of the Polish SAI by the Sejm on 1 July 2007. He was sworn-in and took the office on 22 August 2007. Before that, he had served as NIK Vice-President (since August 1998), and earlier, in the years 1992-98, as Deputy Director of the Team for Environmental Protection and Land Development.

A graduate from the Faculty of Biology and Earth Sciences of the Gdańsk University, Mr Jezierski started his professional career in 1983 at the Ornithological Station of the Zoology Institute of the Polish Academy of Sciences. He also worked for at the Office for Ecology of the National Commission of the Independent and Self-Governing Trade Union of "Solidarność".

President Jezierski is an active alpinist and polar explorer. He is also a great bird lover.



NEW SECRETARY-GENERAL OF EUROSAT

In the Full Session meeting of the Spanish Court of Audit, held on 12 November 2007, Mr. Manuel Núñez Pérez was elected President of the Institution and



Mr. Manuel Núñez Pérez, Secretary-General of EUROSAT.

appointed by Royal Decree 1539/2007 of 23 November 2007. He was designated as such by H.M. the King of Spain.

In his capacity as President of the Spanish Court of Audit, he holds the position of Secretary General of the European Organisation of Supreme Audit Institutions (EUROSAT).

Mr Núñez was elected Member of the Spanish SAI by the Parliament, on 30 October 2001. He was appointed Vice President of the Spanish Court of Audit and responsible for Department of Autonomous Regions and Autonomous Cities, by the Full Session of the Court of Audit, held on 12 November 2001.

The new President of the Spanish Court of Audit has Law Degree. He was MP where he chaired several Committees. Among other positions, he was also Secretary of State for Employment and labour and Minister of Health and Consumer Affairs during several Legislatures.

NEW EUROSAI MEMBERS

- **STATE AUDIT OFFICE OF MONTENEGRO**
The XXXIV EUROSAI Governing Board

approved the request from the SAI of the Republic of Montenegro to become a EUROSAI Member.

APPOINTMENTS ON EUROSAI MEMBERS

- **EUROPEAN COURT OF AUDITORS**

Mr. Vitor Manuel da Silva Caldeira, was elected President of the European Court of Auditors.

- **THE STATE AUDIT OFFICE OF ESTONIA**

Mr. Mihkel Oviir, was re-elected President of the SAI of Estonia.

- **THE STATE AUDIT OFFICE OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA**

Ms. Tanja Tanevska, was designated as Auditor General of the State of the Former Yugoslav Republic of Macedonia.

- **THE NATIONAL AUDIT OFFICE OF THE UNITED KINGDOM**

Tim Burr was designated Comptroller and Auditor General of the National Audit Office of the United Kingdom.

- **THE CHAMBER OF CONTROL OF GEORGIA**

Mr. Levan Bezhashvili has been appointed as the Chairman of the Chamber of Control of Georgia.

- **THE NATIONAL AUDIT OFFICE OF ICELAND**

Mr. Sveinn Arason has been appointed as Auditor General of the Icelandic National Audit Office.

- **THE NATIONAL AUDIT OFFICE OF MALTA**

Mr. Anthony C. Mifsud has been appointed as Auditor General of the National Audit Office of Malta.



European Union

MR. VÍTOR MANUEL DA SILVA CALDEIRA ELECTED AS NEW PRESIDENT OF THE EUROPEAN COURT OF AUDITORS

The Members of the European Court of Auditors elected on 16 January 2008 Mr. Vítor Manuel da Silva Caldeira as the Court's 11th President for a period of three years.

Mr. Caldeira, of Portuguese nationality, became a Member of the European Court of Auditors in March 2000. He has been the Dean of the Group responsible for coordination, evaluation, assurance, development and communication since March 2005 and the Member directly responsible for audit development and reports. From January 2002 to March 2006, he was the Member responsible for the Court's Statement of Assurance (DAS). Prior to his appointment to the Court, Mr. Caldeira was responsible for the coordination of the European Community audit and internal audit system of the Portuguese State's Financial Administration (1995-2000), was Deputy Inspector General of Finance at the Inspectorate General of the Portuguese Ministry of Finance (1995-



Mr. Vitor Manuel Da Silva Caldeira, President of the European Court of Auditors.

2000) and before that he was Senior Inspector of Finance (1989-1995).

The President's role is that of *primus inter pares*. He is responsible for the effective and sound management of the Court's activities and represents the institution in its external relations, in particular with the other institutions of the European Union and the Supreme Audit Institutions of the Member States.



THREE NEW MEMBERS JOIN THE EUROPEAN COURT OF AUDITORS

In accordance with the Treaty and after having consulted the European Parliament, the Council of the European Union appointed on 10 December 2007 three new Members of the European Court of Auditors for a renewable term of six years, starting from 1 January 2008: Mr. Michel Cretin (France), Mr. Henri Grethen (Luxembourg), and Mr. Harald Noack (Germany). They replaced Mr. Jean-François Bernicot, Mr. François Colling, and Mrs. Hedda von Wedel respectively. In addition, the man-

dates of the following current Members of the Court were renewed by the Council for a term of six years: Mr. Hubert Weber (Austria), Mr. Maarten B. Engwirda (Netherlands), Mr. David Bostock (United Kingdom), and Mr. Ioannis Sarmas (Greece). The Members of the Court are independent in their functions, representing solely the interests of the European Union.

The Court's new organisation chart is available at www.eca.europa.eu

ANNUAL REPORT ON THE IMPLEMENTATION OF THE BUDGET CONCERNING THE FINANCIAL YEAR 2006

On 15 November 2007, the European Court of Auditors published its Annual Report on the implementation of the 2006 EU general budget.

The European Court of Auditors is of the opinion that the 2006 consolidated accounts on the implementation of the EU general budget present fairly, in all material respects, the Communities' financial position and results for the year, except for an overstatement of the amounts recorded for accounts payable and pre-financing in the balance sheet. The European Commission has made further progress with its implementation of accruals-based accounting, although some weaknesses still remain.

The European Commission has made considerable efforts to address the weaknesses in the management of the risks to the EU funds. Some changes are already having a positive impact, such as a marked reduction in the Court's estimated level of overall error in agricultural transactions – although it remains just above the materiality limit. This positive development underlines the effectiveness of the integrated administrative and control system (IACS) and the simplification of claim and payment procedures in the newly introduced Single Payment Scheme.

The Court gives an unqualified opinion on the transactions underlying EU revenue, commitments, administrative expenditure and pre-accession strategy, excluding SAPARD. Furthermore, external actions' payments managed directly by Commission delegations in 2006 showed only a low incidence of error.

The Court, however, gives an adverse opinion on the legality and regularity of the majority of EU expenditure: primarily the part of agricultural spending not covered by IACS, structural policies, internal policies and a significant proportion of external actions. In these areas there is still a material level of errors found in the payments to final beneficiaries.

In addition, the Court is of the opinion that, taken as a whole, the underlying

transactions of the European Development Funds, with the exception of payments authorised by the Commission's delegations in the beneficiary states, are legal and regular.

In terms of expenditure area the Court reports that:

- for **agriculture** as a whole (€49.8 billion in 2006), the Court found a marked reduction in the estimated overall level of error, although it remains just above the materiality threshold. Agricultural spending is characterised by different types of transactions, which are subject to different risks and control systems. IACS, which covers about 70% of CAP spending, is effective in limiting the risk of irregular expenditure, where properly applied. The Court notes that, while the Single Payment Scheme simplifies claim and payment procedures, it has side effects, such as the allocation of entitlements to landowners who never exercised previous agricultural activity, leading to a substantial redistribution of EU aid away from farmers to landlords. Among new beneficiaries for EU agricultural aid are railway companies, horse riding or breeding clubs and golf or leisure clubs and city councils.

- for spending on **structural policies** (€32.4 billion in 2006), the situation remains similar to previous years. The Court identified a material level of error, estimated to represent at least 12% of the total amount reimbursed to beneficiaries. The most frequent errors were claims for ineligible expenditure and failure to carry out tender procedures as well as a lack of evidence to support the calculation of overheads or the staff costs involved. The supervisory and control systems in the Member States were generally ineffective or moderately effective, while the Commission maintains only a moderately effective supervision of their functioning.

- for **internal policies** directly managed by the Commission (€9.0 billion in 2006), the Court again found a material level of error in the legality and regularity of the underlying transactions, mainly due



to reimbursements to beneficiaries who had overstated the costs for projects. The Court's audits showed that the internal control systems were only partly satisfactory.

- **external actions** spending (€5.2 billion in 2006) was satisfactory for the transactions managed and checked by the delegations, but not so for implementing bodies carrying out the projects in the field. Errors included claims of ineligible expenditure and breach of tendering procedures.

- within **pre-accession strategy** (€2.3 billion in 2006) the Court found that payments were legal and regular overall, although significant errors were again found in the SAPARD transactions audited.

The Commission has taken measures to step up recoveries and improve the protection of the financial interests of the EU over the past few years. However, due to the complexity of the shared management of these funds with the Member States, the Commission still does not have at its disposal reliable information on recoveries of undue funding – the amounts and beneficiaries involved – nor of their financial impact on the EU budget.

Presenting the 2006 Annual Report to the Committee on Budgetary Control (COCOBU) of the European Parliament on 12 November 2007, Mr. Hubert Weber,

then President of the Court, explained: “Reasons for the errors in the underlying transactions include neglect, poor knowledge of the often complex rules and presumed attempts to defraud the EU budget. Furthermore, in the area of non-IACS expenditure in agriculture, structural policies and internal policies, checks on expenditure claims, which are mainly based on information supplied by the beneficiary, are in many cases insufficient in number and coverage, and often of inadequate quality. What is required is better management and control of Community spending in both shared and direct management areas, under the ultimate responsibility of the Commission.”

Mr. Hubert Weber concluded his presentation by stating that “The Commission should lead by example by paying particular attention to devising and operating its own internal control systems effectively in the area of directly managed EU funds – internal policies and external actions. This would provide a model and encouragement to Member States operating systems under shared management. The key to effective management of EU funds lies in efficient and reliable internal control systems at all levels of administration. I believe that the EU's citizens are entitled to expect EU funds to be properly managed and controlled across the Union.”



OTHER REPORTS AND OPINIONS PUBLISHED BY THE EUROPEAN COURT OF AUDITORS

Since the publication of the 2005 Annual Report, the European Court of Auditors has issued 10 Special Reports and 11 Opinions covering different aspects of EU finances and management issues.

The Special Reports (SR) are:

SR 11/2006 on the Community transit system

SR 1/2007 concerning the implementation of the mid-term process Structural Funds 2000-2006

SR 2/2007 concerning the Institutions' expenditure on buildings

SR 3/2007 concerning the management of the European Refugee Fund (2000-2004)

SR 4/2007 on physical and substitution checks on export refund consignments

SR 5/2007 on the Commission's Management of the CARDS programme

SR 6/2007 on the effectiveness of technical assistance in the context of capacity development

SR 7/2007 on the control, inspection and sanction systems relating to the rules on conservation of Community fisheries resources

SR 8/2007 concerning administrative cooperation in the field of value added tax

SR 9/2007 concerning “Evaluating the EU Research and Technological Development (RTD) framework programmes – could the Commission’s approach be improved?”

The following Opinions have been issued by the Court since the 2005 Annual Report:

7/2006 Opinion on a proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 1073/1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF)

8/2006 Opinion concerning a proposal for a Council Regulation repealing Council Regulation (EC) No 2040/2000 on budgetary discipline

1/2007 Opinion on the draft Commission Regulation (EC, Euratom) amending Regulation (EC, Euratom) No 2342/2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities

2/2007 Opinion on the draft Council Regulation amending the Financial Regulation applicable to the ninth European Development Fund

3/2007 Opinion on a proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 515/97 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters

4/2007 Opinion on a draft Commission Regulation (EC) amending Regulation (EC) No 1653/2004 on a standard financial regulation for the executive

agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes (SEC(2007) 492 Final)

5/2007 Opinion on the proposal for a Council Regulation on the Financial Regulation applicable to the Euratom Supply Agency

6/2007 Opinion on the annual summaries of Member States; ‘national declarations’ of Member States; and audit work on EU funds of national audit bodies

7/2007 Opinion on a draft Council Regulation amending Regulation (EC, Euratom) No 1605/2002 of June 2002 on the Financial Regulation applicable to the general budget of the European Communities

8/2007 Opinion on a proposal for a Commission Regulation (EC, Euratom) amending Commission Regulation (EC, Euratom) No 2343/2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities

9/2007 Opinion on the proposal for a Council Regulation on a Financial Regulation applicable to the tenth European Development Fund

In 2007, the Court adopted 24 specific reports pertaining to the European

agencies and other decentralised bodies. Each report includes an opinion on the reliability of their 2006 financial statements and on the legality and regularity of their underlying transactions.

All Court reports and opinions that are published in the Official Journal of the European Union can be found on the Court’s website – www.eca.europa.eu.



MEETING OF THE HEADS OF THE SUPREME AUDIT INSTITUTIONS (SAIs) OF THE EUROPEAN UNION (Helsinki, 3-4 December 2007)

The National Audit Office of Finland hosted the 2007 annual Contact Committee meeting of the Heads of SAIs of the European Union with participation of the Heads of SAIs of the Candidate Countries (Turkey, Croatia, and the former Yugoslav Republic of Macedonia), as well as representatives from IDI, the EUROSAI Training Committee and SIGMA. The meeting was chaired by Auditor General Tuomas Pöysti.

In conjunction to the meeting in Helsinki the Finnish NAO arranged a seminar on risk management in European Union finances and definition of the tolerable risk level. Among the speakers in the seminar were Chairman of the European Parliament's Committee on Budgetary Control Mr Herbert Bösch, Vice President of the European Commission Mr Siim Kallas and Chairman of the Audit Committee of the Finnish Parliament Mr Matti Ahde. Chairman of the Finnish Parliament Mr Sauli Niinistö also addressed the meeting.

Discussions focused on the surveillance of rules and regulations of the European Monetary Union as well as the question how Supreme Audit Institutions could produce better information about the condition and long-standing risks of public finances. Outlines for co-operation of the SAIs in this field were planned in the meeting. The idea was generally supported that rules and procedures concerning EU funding should be simplified in order to

reach better cost-effectiveness and to minimize risks.

The meeting also discussed and approved resolutions on the EU SAI Contact Committee co-operation framework. The Task Force is to initiate, coordinate and continue work in 2008 in the following areas: further developing the Contact Committee website and the Procedural Guidelines, implementing the prioritisation mechanism, evaluation of Contact Committee activities, developing a mechanism to exchange knowledge on audits in the EU area and exploring the potential for deepening co-operation between the ECA and Member States' SAIs during ECA audit missions.

The Contact Committee meeting also reviewed the work carried out by the various Working Groups and Expert Groups acting under the mandate of the EU SAIs Contact Committee and covering specific areas of the management of EU funds. The Contact Committee approved the presented resolutions seeking endorsement and adoption of the outputs of that work and a renewed mandate for 2008.

The resolutions are published on the Contact Committee's website www.contactcommittee.eu.

The next meeting of the Contact Committee will be held on 1-2 December 2008 hosted by the European Court of Auditors in Luxembourg.



Intellectual capital balance – an instrument for displaying the value of Supreme Audit Institutions

DR. JOSEF MOSER

President of the Austrian Court of Audit and Secretary General of INTOSAI

As part of the 19th UN/INTOSAI Symposium¹, held in Vienna in March 2007, Günter Koch² presented intellectual capital balance, a relatively new instrument for displaying the relation between the parameters of monetary and non-monetary performance.

What purpose is served by intellectual capital balances?

As part of the 19th UN/INTOSAI Symposium, held in Vienna in March 2007, Günter Koch presented intellectual capital balance, a relatively new instrument for displaying the relation between the parameters of monetary and non-monetary performance. Basing himself on surveys conducted by US banks, Mr. Koch explained that the difference between the book value and the market value of companies has provided the opportunity to confirm that the value of a company can be determined not only by what appears in the balance sheet but also, and to an equal degree, by what can be observed with respect to values that transcend it. He explained that scientific institutions in particular, whose performance is difficult to express in classical economic-business terms, opened the path to those methods of analysis and presentation of reports.

The intellectual capital balance of the Court of Audit of Austria

External financial audit institutions are to a special degree knowledge-based institutions. Because of that, in order to display

their value it is advisable to take into account non-financial magnitudes as well as profitability parameters, such as experience, specialised knowledge and the expertise of the workers.

For that reason, the Austrian Court of Audit drew up its first intellectual capital balance in the year 2007 on the basis of the model of Koch and Schneider, which is the model of intellectual capital balance most widely used in Europe. The model of intellectual capital balance is contained in the performance report of the Court of Audit of Austria, published in October 2007, and can be consulted and downloaded from the website (www.rechnungshof.gv.at) in “News-Publications-Report and intellectual capital statement 2006/07”.

Composition of the intellectual capital balance

The composition of the intellectual capital balance of the Court of Audit of Austria follows a logical process from strategic orientation to implementation of the commercial processes. The range extends from the knowledge objectives, passing through knowledge management and intellectual patrimony up to commercial processes.

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¹ Symposium on the value and benefits of government audit in a globalised environment, 28 to 30 March 2007, Vienna.

² The valuation of qualities and the “intangible” values of an organisation by means of an “intellectual capital balance” (Prof. DI Günter Koch, Director General of the “Central European Institute of Technology”, Schwechat/Austria; guest professor in Austrian universities).

Knowledge objectives

The four strategic intellectual capital objectives of the Court of Audit of Austria (transmission of the values of the Court of Audit of Austria, excellence in checking and assessment, creation of value and benefit of use measured via the activity of checking and advice, as well as connection with national and international partners), are based on its ideal, as well as on its strategic bases. These assure a clear orientation of the intellectual capital in the Court of Audit of Austria and permit the formation of operative and individual intellectual capital objectives.

Knowledge management

The Court of Audit of Austria considers Knowledge management to be an interdisciplinary part of management, which is experienced with the participation of all workers. In the knowledge management of the Court of Audit of Austria there exist three levels of responsibility:

- the departments as centres of ability in the framework of their responsibility in subjects,
- the intellectual capital communities as forums of intellectual capital that are key in certain fields of knowledge and
- the department of Knowledge management.

Intellectual patrimony

The intellectual patrimony of the Court of Audit of Austria is divided into the ar-

reas of Human Capital, Structural Capital and Relational Capital. It consists of magnitudes that permit conclusions to be reached on their potential for intellectual capital.

In Human Capital, what is fundamentally displayed is personal data, focusing on the qualification and skills of the workers. Structural Capital provides information on the division of the organisation, the communication, the technical infrastructure, and also on quality assurance instruments. Relational Capital displays the intensity and quality of the collaboration of the Court of Audit of Austria with its clients and partners, as well as the connection with other audit institutions and with intellectual capital institutions.

Commercial processes

The commercial processes of the Court of Audit of Austria can be subdivided into a variety of central and specialised processes. Many of them are processes requiring intensive intellectual capital.

The strategically most important scope of performance of the Court of Audit of Austria – auditing and advice – is carried out in a structured process consisting of several partial processes, for which there are specified and concrete norms on quality.

Perspectives

The Court of Audit of Austria is going to be perfecting its intellectual capital balance in the coming years and will try to achieve the strategic intellectual capacity objectives.

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Fifteen years of existence of the Supreme Audit Office of Czech Republic

DR. FRANTISEK DOHNAL

President of the Supreme Audit Office of Czech Republic

It is the year 2008 and the Supreme Audit Office (SAO) celebrates the 15th anniversary of its foundation. Fifteen years do not represent a long tradition from the historical point of view, but our Office has gone through many changes since its foundation. I have been President of a supreme audit institution only for almost three years, but despite of this fact, I would like to make a short balancing, to congratulate, and to express my thanks.

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The development of audit institutions in countries of western and central Europe was almost the same. The history of external audit in our country began two hundred years ago. Independence of an audit institution from the executive is one of the main principles of external audit. As far as the Czech SAO is concerned, the Constitution stipulates that the Executive cannot intervene in the audit planning and performing. This strategy results from the common principles that were adopted by the Lima Declaration many years ago, where basic principles of audit institutions' work are stipulated.

Unfortunately, the democratic development of audit in our country was interrupted in the 1950's and that situation lasted until the year 1993. The supreme audit institution had been really independent until the 1950's, but the communist regime included the audit system into the Executive, which resulted in establishing the Ministry of State Control. The Government dictated then, what the Ministry should focus on, or possibly, what it should not focus on. The

audit became part of a certain repressive system that was controlled by the Communist Party. The discussion about the role of the SAO began in the 1990's when ways to set up a standard operation were sought.

The independence lies mainly in the fact that the institution itself lays down and decides what will be audited. Nobody else can order us what to audit. On the other hand, we have no executive power and thus we can only identify problems and inform about them. The SAO does not substitute a court, it does not impose a penalty – this is a duty of someone else. Parliament of the Czech Republic is always our natural partner, because it delegates tasks to the Executive and checks their fulfilment subsequently. Everything what the Executive has done wrong or what differs from the Parliament's assignment should be followed by an appropriate reaction. Parliament itself must decide if there are any reasons for toleration of the government's procedures or not.

The Supreme Audit Institution does not only perform audits, but it also promotes principles of good practice. These principles should be generally used as examples by all who work in this area. Thus, it is important to us to state there were no serious shortcomings in a follow-up audit. It does not mean that we just did not want deliberately to find any. We will be glad if the used methods of management, accounting, or economy evaluation in the public administration help identify breach of the law or lack of economy while spending money from the public funds in time.

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Since the beginning of the SAO, its representatives tried to find an appropriate and acceptable place for the headquarters, where this institution could work properly. The building inherited from the ex-Ministry of State Control did not satisfy the structural and later also space requirements of the SAO. Consequently, at the turn of 2006/2007, we moved to new rented offices in a modern administration centre. Coincidentally, this building is located on the other side of the street where the SAO temporarily resided for 14 years. The 18 storey building allowed to gather all the SAO's employees and representatives in the capital city and still offers enough free space for possible enlargement of the audit institution's activity.

Celebrations of the 15th anniversary honour everything what we have done to-

gether. Many people have done a lot of good work and we can be proud of work results of all our colleagues. Not only governmental and parliamentary political representations belong to our close partners, but also public and media are very important to us. Personally, I am very happy about the fact we maintain these contacts, which contribute to continual cooperation and help. I would like to wish all of us further development of these relationships.

Finally, I would like to take this opportunity to thank all ex- and current colleagues for their active cooperation, endeavour, and diligence. Using the words of a poet, I express my thanks also to our other partners, public, and the media: "Even the small things contribute to the bigger ones" ("*Parvis quoque rebus magna iuvantur.*" Horatius).

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The Court of Accounts of Moldova: from External control to external audit



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ALA POPESCU

President of the Court of Accounts of the Republic of Moldova

The European Union–Republic of Moldova Action Plan provides that Moldova shall ensure the establishment and adequate functioning of an independent Supreme Audit Institution in line with the internationally accepted and EU best practice external audit standards (INTOSAI standards). This is a long-term undertaking involving a wide range of inter-related actions.

Introduction

The European Union–Republic of Moldova Action Plan provides that Moldova shall ensure the establishment and adequate functioning of an independent Supreme Audit Institution in line with the internationally accepted and EU best practice external audit standards (INTOSAI standards). This is a long-term undertaking involving a wide range of inter-related actions.

We believe that:

- The Court of Accounts (CoA) should be at the "cutting edge" of the develop-

ment of Public Financial Management in the Moldova public administration. It is crucial that the CoA will be able to act as a supportive "change agent" for other actors in the public finance sector.

- Such an approach implies a paradigm shift from compliance control of individual transactions towards an audit profession focused towards quality of information and internal control systems in line with internationally accepted auditing standards and best European practices.

- The creation of a new basic culture among managers at all levels in the public sector is a huge challenge, and the CoA

should be an active force in this process. This requires a well educated, trained and equipped staff.

- The challenges in developing the CoA require higher efficiency in the office, but we must acquire the necessary financial and human resources to become a powerful instrument promoting accountability in the public sector.

- The new financial management and financial control paradigms, supported by a reinforced CoA, will contribute to increasing public sector accountability, productivity and providing better services for the citizens of Moldova.

Overview

The path for the development of the Supreme Audit Institution of Moldova (the Court of Accounts, CoA) in line with the EU action plan is laid down in a Strategic Development Plan covering the period between April 2006 and December 2010. The plan is based on achieving four main goals: institutional strengthening; profession building; developing people; and securing greater impact from its work.

Technical assistance on the process of transformation the CoA is being provided (i) by the Swedish National Audit Office under a three year bilateral agreement of cooperation (2007-2009), and (ii) through a Multi Donor Trust Fund (MDTF) established by the DFID and the Dutch Government and managed by the World Bank which is to start its main activities in 2008.

Background

In Moldova, external audit in the public sector is a quite new feature. The existence of the CoA is based on Article 133 of the Constitution (1994) stating that:

(1) The Court of Accounts controls the ways of creating, administering and utilizing public financial resources.

(2) The Court of Accounts is composed of 7 members.

(3) The President of the Court of Accounts is appointed for a 5-year term by Parliament on proposal submitted by the President of Parliament.

(4) The Court of Accounts submits annually to Parliament a report on the administration and utilization of public financial resources.

(5) The Court of Accounts other powers, as well as its structure and functioning, will be established by organic law.

The Law on the Court of Accounts (adopted in 1994, last amended in 2005) specifies the powers of the institution as basically an institution responsible for compliance control of individual transactions related to public money. We have a court-type structure with collegial decision-making procedures but it has no judicial powers. In addition to our control activities we have other duties of a non-audit nature, such as providing advice on the annual draft state budget, the state social insurance budget, and the compulsory health insurance funds budget.

We have an authorized staff of 150 positions, of which 98 are auditors. Our leadership consists of the Board: the President, the Deputy President and 5 Members. The central office in Chisinau includes 83% of staff, while the rest work in two regional offices. Our budget for 2008 amounts to 15.2 million lei, in Euro that would be 0.91 million.

Basis for assessing progress

For this publication we decided to monitor our progress against the main questions designed by SIGMA for assessing the effectiveness of external audit in the former EU applicant countries. In this context, I have found it important to also provide you with information about changes actually under way and efforts invested under the current legal framework. By doing this I will provide you with a glimpse of our situation today and what have been achieved – but also about the challenges that we are facing.

What has been done for the CoA to have clear authority to satisfactorily audit all public and statutory funds and resources, bodies and entities, including EU resources?

The 2005 amendments to the legal framework expanded the CoA mandate, but a new audit law is required to meet all the prerequisites for a modern Supreme

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Audit Institution. During 2007 a new draft law on CoA has been produced with assistance from the SNAO and it has recently been sent to the European Court of Auditors for their comments. The draft law is on the Parliament's agenda for consideration and adoption before the summer break 2008. In all important respects, the CoA's audit authority in the draft law is fully adequate to meet the baseline standard.

The division of responsibilities between CoA and the central financial control body under the Ministry of Finance is addressed in the Public Internal Financial Control (PIFC) Policy paper and will be clarified in the Public Finance Management laws under preparation.

What has been done for the type of audit work carried out to cover the full range of regularity and performance audit set out in INTOSAI auditing standards?

The new draft Law on the CoA will entitle the institution to carry out all types of regularity and performance audit.

Current control activity consists almost exclusively of regularity control of individual transactions, with the main focus being on legal compliance. At present, we lack the full capacity to perform modern types of financial audit or performance audit.

Extensive on the job and other training and staff development is underway with the aim of strengthening our capacity to implement the new law on CoA gradually over the years to come. At the same time the current external control activities will be successively phased out as the management capacity to be and to be held accountable is strengthened and a proper internal audit function is introduced.

Up till now some assessments of internal control systems have been carried out as pilot projects, three attestation pilot audits are nearing completion and some studies of how the State Fiscal Service and Customs Service carry out fiscal administration.

What has been done to ensure the CoA has the necessary operational and functional independence required to fulfill its tasks?

All major aspects of independence described in the INTOSAI Lima Declaration are reflected in the draft Law on the CoA.

Currently we have almost complete discretion in our control activity, although the Parliament may require (and requires) a number of ad hoc controls per year (four during 2007). Our budget passes through the Ministry of Finance; the Government has the authority to modify the CoA budget proposal and the budget dialogue leave room for improvement.

The President of CoA selects by contest, appoints and dismisses the staff, including civil servants, based on the labour laws and Civil Service Law.

The CoA ensures the public character of its sittings as well as makes available to the public all its control findings (decisions). The President of CoA regularly informs the media about control findings of major significance.

The primary reservation in this area is that the President and all the Members were chosen reflecting the political situation in the Parliament. The new draft Law on the CoA comes with solutions for this reservation.

What has been done for the CoA's annual and other reports to be prepared in a fair, factual and timely manner?

In our view we have well exploited the potential of our present setup that produces external control reports in line with the present state of development of the Moldovan public sector and earlier perceived needs. The Court of Accounts has already acquired new skills for producing its reports on state budget execution in a timely manner and within the statutory deadline (six months after the end of the year).

Our traditional role as an external control body provides a strong foundation for assuring fair and factual reporting. Our staff has clear authority for full access to the premises and documentation with respect to authorities controlled. All findings must be supported by evidence contained in a report that is provided to the controlled body, who may respond with explanatory material, before a decision is taken in the Board. The quality of the control carried out is further assured by a collegial review process involving supervisors in the first instance and the Board in the second. However, in view of the scope of current control it is clear that the current

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procedures will not be sufficient when we move to a full attestation audit.

Is the work of the CoA effectively considered by Parliament, e.g. by a designated committee that also reports on their own findings?

The Court's Annual Report is presented and discussed in a special plenary session of the Parliament by July 15 of the year. The last Annual Report presented to the Parliament is a document that provides a more profound and deeper analysis of financial management trends and comes with recommendations to eliminate the irregularities at this level. The report also has a chapter that informs the Parliament and public opinion on the challenges the Court faces as well as its strategic development objectives. The publication of the Annual Report and of the results of each audit in the Official Gazette of Moldova, on the Court's website and in other media resources makes the budget process and use of public assets more transparent by informing taxpayers about the violations and irregularities revealed.

Taking note of the Court reports, the Parliament adopts decisions forcing the Government to ensure the execution of the Court decisions in ministries and other public authorities regarding the management and use of public financial resources, to take measures for improving public financial management as well as to inform the Parliament about the elimination of the gaps revealed by the CoA. The Government, in turn, adopts its own decisions oriented towards ensuring the execution of the recommendations contained in the Annual Reports of the CoA. Most of the measures contain a certain level of assurance of the situation improvement at the entity and they contributed to the enhancement of the state budget financial management, the formation and use of state social insurance budget, the improvement of the local budget management, and improvement of public assets management.

In addition, the CoA remits to the Parliament audit reports (decisions) that contain useful information for this body. The CoA is invited to participate in the examination of the reports as appropriate.

Monitoring and documentation of the results of the controls over the use of pub-

lic finances is carried out through the Standing Committee for Economic Policy, Budget and Finances of the Parliament and other line Committees.

Has the CoA adopted internationally and generally accepted auditing standards compatible with EU requirements, and how far have they been implemented?

The development of audit standards has permanently been on the agenda during the last years. The CoA has developed and approved 5 types of standards that include 15 auditing standards. These standards have been produced based on the international standards of auditing and cover: (i) general standards of auditing, (ii) standards applicable to the planning stage, (iii) standards applicable to the audit procedure stage, (iv) standard applicable to the reporting stage, and (v) special standards of auditing. Approval and implementation of its own standards is the first step in the shift from external control to external audit in line with the European guidelines for the implementation of the INTOSAI and IFAC audit standards. At present, we are developing an audit manual and an audit quality framework that are to be tested through pilot audits.

Is the CoA fully aware of the requirements set out in the Community Acquis and of the impact of the Moldova-EU Partnership?

We believe that we have got strong potential for future development. We understand the problem and we have chosen the way to be followed. We have started to implement audit processes on new bases in parallel with the preparation of a gradual transformation to our new role. The future major improvements, as set out in the draft Law on the Court of Accounts and our Strategic Development Plan, will focus on the clarification of the CoA's role in the accountability process and on a perceptible application of an audit philosophy in line with the international standards and European best practice. We are also fully aware of the fact that the current support for the CoA operation will not be realistic in the future. This also implies new ways of management for our institution.

We have identified in our Strategic Development Plan the gaps and needs to be covered in order to have an impact on the

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above mentioned paradigm. Our annual implementation plans specify in more detail the development activities for a year in question based on previous results.

Conclusions

Radical changes in the activity, nature and efficiency of a SAI are a long term task. The donor institutions that joined the CoA to provide it with the support required to achieve the goals set out in its Strategic Development Plan have fully recognized that.

The CoA is determined to continue the implementation of the activities set out in its Strategic Development Plan, being inspired by the strong will of the management and staff, by the support of the Parliament and other stakeholders as well as by the close cooperation with other directions of reform in the public financial management sector carried out in Moldova. Institutional strengthening, profession building, developing people and securing a greater impact from the CoA's work are further the four pillars in the development of the CoA.

Radical changes in the activity, nature and efficiency of a SAI are a long term task.

Audits in the field of education performed

DR. VALENTYN SYMONENKO

Chairman of the Accounting Chamber of Ukraine

The state policy in Ukraine in the field of education covers all levels of the education - primary, secondary (obligatory), vocational and higher education.

According to the article 53 of the Constitution of Ukraine the State guarantees the accessibility and free primary, secondary, vocational and higher education in the public and municipal educational institutions; development of the primary, secondary, non-school, vocational, higher and postgraduate education, different types of training; grants public scholarships and privileges for the pupils and students.

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The financing of the primary and secondary education mainly relates to the local budget expenditures. But at the same time only some Public Programs and measures of the abovementioned educational levels are financed from the State Budget.

For the last five years the expenditures on education in Ukraine reach annually

about 6 percent of the GDP. According to the Law of Ukraine "On the State Budget of Ukraine for 2008" funds equivalent to 3 billion Euro are provided for the rendering services on obtaining primary, secondary, vocational, higher, non-school and postgraduate education. This amounts 9 percent from the total amount of Ukrainian State Budget expenditures.

The social importance of realizing one of the main State function which is ensuring the sufficient level of the education for the young growing generation and training of the highly educated specialists that is considered as the foundation of the state development in all spheres (economic, social, cultural and scientific). Taking into account aforesaid as well as the amount of the budgetary funds assigned annually for this function the Accounting Chamber of Ukraine as the constitutional independent Supreme Audit Institution in Ukraine exe-



cuts the permanent control over the funds expenditures on this purposes mainly in respect to effectiveness, economy and legality.

The Accounting Chamber of Ukraine while conducting performance audit in the field of education at the same time performs financial audit, compliance audit as well as researches problems of the administrative activity, audit object internal control organization and in this field as a whole, social effects of the administration decision-making.

The Annual Collegium Working Plan foresees conducting control and analytical measures on different themes in the field of education, permanent monitoring and control over the implementation of the ACU proposals and recommendations on audit findings conducted earlier.

Over the last years Accounting Chamber has conducted the number of audits related to the State Budget funds utilization in the field of education.

As the result of performance of the **Audit on the Provision of Educational Institutions with the Manuals** we have come to conclusion that the acting system established by the Ministry of Education and Science of Ukraine is not perfect. First, the monopoly of publishing and manuals delivery by the Ministry of Education and Science of Ukraine, without taking into account the demands of the educational process participants and the market economy conditions, prevents from obtaining the necessary results. Secondly, existing system doesn't foresee the responsibility of the officials of the regional educational authorities for the timeliness and completeness of the providing students' with the manuals.

During the audit there was found out that the Ministry of Education and Science of Ukraine doesn't coordinate the activity



of the methodical centers that elaborate and publish the manuals for the secondary, vocational and higher educational institutions. This fact had negative impact on the immediate decision-making.

Due to the lack of the necessary efficiency and flexibility the timeliness of manuals publishing and delivery to the consumers haven't been provided. As a result the numbers of new manuals have been kept at the storehouses and have not been used during the educational process. Moreover, the part of the pupils remained without manuals according to the new programs (*Ukraine should transfer for 12 year education period until 2010*).

The Ministry of Education and Science of Ukraine didn't ensure the transparency of the copies selection that assisted the lobbying of interests of particular authors and publishing houses including those which received negative references while approbation and use of corresponding publications.

The results of the audit on the provision the educational institutions with the manuals conducted by the Accounting Chamber of Ukraine have attracted attention of the public, the Parliament, the Government and the Ministry of Education and Science. As a result of the audit the amendments were made to the legislative in this field. Particularly, the Government Decree "On the improvement of the work related to the provision of the pupils and students of the educational institutions with the manuals and training appliances" was passed; the amendments to the acting procedures on the pupils and students provision with the manuals were made; the system of the institutions responsible for this direction was reorganized.

The Accounting Chamber of Ukraine carries out the monitoring over the measures taken following the audit results. However, revealed problems that had to be solved by the Ministry of Education and Science of Ukraine haven't been eliminated completely.

The other audit on the Implementation of the **Public Program on Informatization of the Secondary Educational Institutions and Computerization of the Rural Schools** was conducted by the Accounting Chamber of Ukraine. The Program goal was providing the teachers and

The Accounting Chamber of Ukraine while conducting performance audit in the field of education at the same time performs financial audit, compliance audit as well as researches problems of the administrative activity, audit object internal control organization and in this field as a whole, social effects of the administration decision-making.



pupils of the rural schools with the access to the domestic and world informational resources by equipping computer classes and Internet networking.

The audit revealed that the Program hasn't provided the creation of equal conditions for the schools in the rural area. This Program covered only 38 percent (2,5 thousands of schools) of the total number of 6,6 thousands of schools in Ukraine.

The Accounting Chamber of Ukraine also emphasized that the Program implementation management was not efficient. The measures on the provision the rural schools with the dedicated connection's channels weren't coordinated with the available and necessary resources for their creation. As the result the technical problems with the Internet access in the distant regions have appeared and this problem has not been solved. Within the Program implementation only the computer software was purchased, moreover the computer software of different configuration.

The Accounting Chamber of Ukraine has concluded that the Ministry of Education and Science of Ukraine created the non-transparent, uncontrolled and inefficient system of the development and implementation of the Program on Informatization of the Secondary Educational Institutions and Computerization of the Rural Schools. As the result – the main task of this Program to increase the number of schools with the dedicated connection's channels and the Internet networking as well as the teachers' and pupils' access to the Internet and other domestic and world informational resources was not realized.

Taking into consideration the Accounting Chamber's recommendations the Program on Informatization of the Secondary Educational Institutions and Computerization of the Rural Schools was brought in conformity with the National Program on Informatization that has provided additional control over its implementation. So the monitoring system over the targeted procurements of the computer classes was implemented; the legal frames on the elaboration and implementation of the software tools to the educational process were developed and adopted; the system of IT teachers retraining was implemented.

The auditors of the Accounting Chamber of Ukraine have also investigated the problem regarding the efficiency of the State Budget funds utilization assigned for the vocational education.

Along with unemployment problem in the country there is a lack of qualified working staff in Ukraine. By solving this problem the economic and industrial potential of the country could be strengthened significantly.

Since the function of the training the above mentioned specialists based on the funds of the employers is at the initial development stage in Ukraine. Such training in the vocational educational institutions is realized for the state budgetary funds based on the public needs.

Taking into consideration the above mentioned problems the Accounting Chamber of Ukraine has carried out **the Audit on the utilization by the Ministry of Education and Science the State Budget Funds assigned for the training the working staff in the vocational educational institutions at the base of the public needs.**

The auditors of the Accounting Chamber of Ukraine have revealed the main problems in the sphere of working staff training. These problems are the low level of training; lack of the connections with the enterprises; the outmoded material resources base of the educational institutions and the state incapacity to realize training using complex technological equipment; the non-perfect structure of the institutions financing oriented at the ensuring of the social component of the expenditure (wages, scholarship and lack of the capital investments); the psychological stereotypes of the young persons who consider the career of the qualified worker non-perspective; the deficit of the working staff which can work with the high-technology equipment; inconsistency between the working staff training and the regional needs and needs of the particular employers. These facts lead to the disproportion at the labour market due to the lack of the demands for the trained staff of the mentioned qualification. At the same time, taking into consideration the demand for the high-qualified workers who able to work with the complex technology equipment, the Ministry of Education and Science of Ukraine assigns only

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27,4 percent of the total volume of the public needs for their training.

The increased of the different types of the modern working professions doesn't assist to the elaboration of the corresponding standards for the training of the working staff. For the 5 years the only one new specialization was implemented.

The audits conducted by the Accounting Chamber of Ukraine has defined that the vocational institutions doesn't execute their main function – training of the qualified working staff. Moreover, they are used for the social protection of the unprotected youth groups. Within the structure of the budget expenditures for the professional training the expenditures for the assistance, scholarship, food etc. are prevailed. The assignments for purchasing the training equipment are not foreseen and as the result the training is conducted for simple and no prestige professions.

Based on the audit findings the Accounting Chamber of Ukraine has put forward the proposals most part of which was realized. Particularly, the Ministry of Education and Science of Ukraine has made amendments to the procedure on forming the public needs in the working staff training taking into account regional and employers needs; 51 new specializations oriented at the modern technologies were

introduced during 2006; the cooperation with the employers was established that has led to the increased number of students who were employed under the labour contract with the enterprises and organizations.

At the same time some problems have to be solved by the way of legislative control and change the state policy in this sphere. We conduct permanent monitoring over our recommendations implementation.

The use of the State Budget funds assigned for the higher education is under the constant control of the Accounting Chamber of Ukraine. During last years the number of audits in this sphere was carried out in the Ministry of Education and Science and other central executives authorities.

The ensuring of the public needs in high-qualified specialists is realizing for the State Budget funds by the way of annual forming, allocation and implementation of the public order for specialists' training with higher education. For these purposes more than 5 percent of the State Budget expenditures are assigned annually.

For the period from 2000 to 2008 the number of students which study in the higher educational institutions has increased more by one and a half and has consisted more than 2,8 million persons (Diagram 1).

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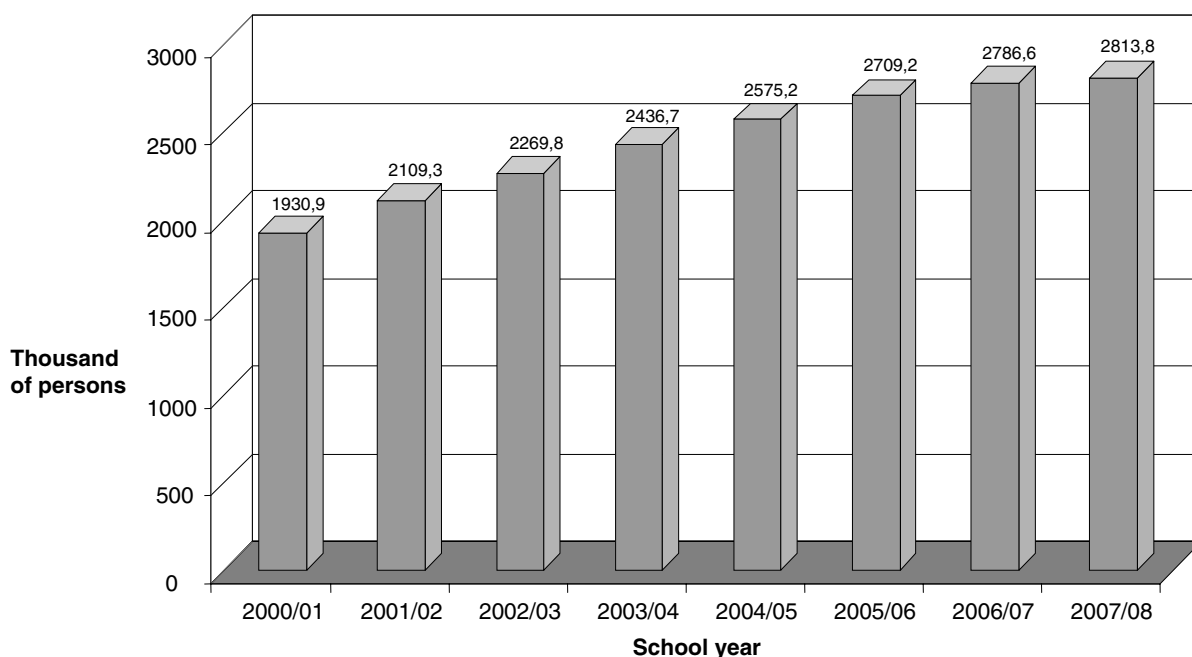


Diagram 1. The dynamic of students in the higher educational institutions

The main problems related to forming and realizing the public order for the training specialists with higher education are:

- low level of the study of public needs in the specialists taking into account the long-term perspective by the public customers;

- lack of the coordination between the customers, higher educational institutions and employers concerning the young specialists employment;

- some questions related to higher education and public needs in specialists training are not regulated by legislative;

- lack of the control over the quality of the specialists training in the higher educational institutions as well as lack of the responsibility of the public customers for improper forming and realization of the public order.

As the result the internal labour market on some popular specializations (lawyers, economists, some types of the physicians) is oversaturated that lead to increased number of unemployed in these spheres. The demand in the engineering specialists is not satisfied. But the Ministry of Education and Science of Ukraine continued to increase the scope of license for the higher educational institutions that train specialists who can not find a job in future. This situation testifies to irrational and inefficient budget funds utilization.

During the audits the facts of violations of the license provisions concerning the enrolment and graduation of the specialists in the higher educational institutions are revealed regularly.

As the result of the audit conducted timely and qualitatively we could attract the attention of the government officials to defining the appropriate needs in the specialists from the point of view of specializations as well as to decrease the scope of

the public order for the specialists training with the higher economic education (at 10 percent more in 2007 than in 2006). The Ministry of Education and Science has strengthened the control over licensing the higher educational institutions and realization of the license provisions from their side. As the result, more than 75 higher educational institutions and their branches (7,7 % from the total number of higher educational institutions) have stopped their activity. The control over the job placement of the graduated students has been strengthened. Establishment of the job placement centers subordinated to the higher educational institutions has been introduced on a regular basis.

The effectiveness and efficiency of all control measures, including in the sphere of education, were achieved due to the transparent activity of the Accounting Chamber of Ukraine.

The information on the audit findings including conclusions, proposals and recommendations were sent to the Parliament, the President of Ukraine, the Cabinet of the Ministers, to the audit objects with the aim to eliminate the revealed infringements and defects as well to the mass-media, placed in the Internet and published in the informational bulletins. The constant monitoring of the implementation of the Accounting Chamber of Ukraine proposals and recommendations by the audit objects are realized permanently.

Taking into account the urgency of issues related to the utilization of the budget funds assigned for granting the education for all levels of population, the Accounting Chamber plans to conduct regularly the performance audits on different problems in the sphere of education and to elaborate the proposals and recommendations for the improvement the effectiveness and efficiency of the budgetary funds expenditures.

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XIX INTOSAI Congress

Mexico 2007

THE SUPREME AUDIT INSTITUTION OF MEXICO

The XIX Congress of the International Organisation of Supreme Audit Institutions (INTOSAI) was held in Mexico City from 4 to 10 November 2007.

This was the most highly attended Congress in the history of the Organisation, bringing together as it did 480 delegates from 145 member SAIs, along with 21 observers and almost 60 companions.

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This was the most highly attended Congress in the history of the Organisation, bringing together as it did 480 delegates from 145 member SAIs, along with 21 observers and almost 60 companions. Among the international observers in attendance were the Institute of Internal Auditors (IIA), the Inter-American Development Bank, the International Federation of Accountants (IFAC), the World Bank, the Organisation for Economic Cooperation and Development (OECD) and the United Nations Organisation.

The XIX INCOSAI offered participants the opportunity to debate and share knowledge and experiences regarding questions related to auditing and accountability. The Governing Board approved the discussion of two technical themes of relevance for the community, for which Germany and the United States of America were responsible.

So, the discussions held in the Plenary sessions of the Congress concerned “Man-

agement, accountability and audit of public debt”, as Theme I, and “Performance evaluation systems based on universally accepted key indicators”, as Theme II. In both cases, various recommendations and resolutions were drawn up after the debating sessions.

The *Mexico Agreements* set down the results achieved with these technical discussions. They will serve as the basic instrument of reference in terms of the topics identified in those branches. These Agreements also provide for the creation of training programmes on the subject of auditing of the public debt for all INTOSAI regions, the dissemination of technical information on audits on that subject and even proposals for developing and applying key national indicators for SAIs.

As the second result deriving from the XIX INCOSAI, mention can be made of the evaluation of activities and achievements reports from all the regional working groups and technical bodies of INTOSAI. So, two already existing working groups were reappointed owing to an extension of their mandate: the Working Group on the Fight Against International Money

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Group Photograph of the XIX INCOSAI.

Laundering and Corruption, chaired by the SAI of Peru; and the Working Group on Privatisation, Economic Regulation and Public-Private Partnerships (PPP), chaired by the SAI of the United Kingdom.

Within this framework of activities, various changes were made in terms of Goal 3, *Sharing Knowledge*, with the creation of the Working Group “Value and Benefits of SAIs”, chaired by South Africa; the Working Group “Key National Indicators”, chaired by the Russian Federation; the *Task Force* “INTOSAI Communication Strategy”, charged to the SAI of Austria (General Secretariat) and the *Task Force* “INTOSAI Platform – United Nations”, to be conducted by the SAI of Korea.

Mention can also be made that the list of INTOSAI members has been increased due to the approved of the application for membership from two new bodies: the SAIs of Montenegro and of Singapore. With these, there are now 188 nations making up this important organisation dedicated to matters of government audit and public control. Also, membership subscriptions were increased for the first time since 1983 in order to have the recourses needed for running the Organisation.

Moreover, during Congress eighteen official products were approved, representing the outlines and directives for basic patterns and good practices in terms of financial auditing and the environment, internal control standards, performance auditing of the public debt, and communication policy of INTOSAI, among others.

Standing out among these products is the *Mexico Declaration on Independence of SAIs*, for the better performance of entities dedicated to auditing public resources. In this declaration eight principles were heeded, namely:

1. Existence of an appropriate constitutional framework, and of secondary provisions guaranteeing their proper application.
2. Independence of the higher authority of SAIs, including the security of their post and legal immunity in compliance with their obligations.
3. Sufficiently broad mandate, and full powers for the adequate compliance of the functions of SAIs.

4. Unrestricted access of SAIs to the information they require for the development of their tasks.

5. Right and obligation of SAIs to report on their work done.

6. Freedom of SAIs to decide on the content and appropriateness of their audit reports, as with their publication and dissemination.

7. Existence of efficient mechanisms for following up the recommendations issued by a SAI.

8. Financial and managerial/administrative autonomy of SAIs, and assurance of the availability of appropriate and sufficient human, material and economic resources.

Simultaneously with the Congress, the 56th and 57th meetings were held of the Governing Board of INTOSAI, which was renewed with the incorporation of the SAIs of South Africa, China, Côte d’Ivoire, Russian Federation and Libyan Arab Jamahiriya.

The Organising Committee of the Congress, made up of close to a hundred members carefully selected for their linguistic and administrative skills, leadership, commitment and responsibility, concerned itself with planning and carrying out the various activities related to the event. So, as well as the development of the technical works of the Congress, attendants were also able to learn a little about the culture of the host country and they had some time for leisure and informal interaction with other delegates in among the technical discussions.

The Opening Ceremony, in the presence of the Constitutional President of the United Mexican States, Lic. Felipe Calderón Hinojosa, took place in the Palacio Nacional, one of the most representative buildings of Mexico’s history. A cultural gathering was offered in the Palacio de Bellas Artes, one of the architectural gems of Mexico City, with a spectacle of international standing, the presentation of the Ballet Folclórico de México, demonstrating the country’s artistic traditions. Attendants also visited the archaeological site of Teotihuacan, an invaluable treasure-house of Pre-Hispanic cultures. Companions were likewise offered a tour of Taxco, a colonial city famous for its silverware

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and craftsmanship, among with a stroll through the Historic Centre of Mexico City, where the architecture gracing the original quarter of the city could be appreciated. Finally, a Closing Dinner for the Congress was offered in the Palacio de Medicina, with the participation of the Mayor of Mexico City.

On the occasion of the XIX Congress, the SAI of Mexico, Supreme Audit Body of the Federation, took over the Presidency of the Governing Board of INTOSAI for the period 2007 – 2010. In this regard the Supreme Auditor of the Federation, C.P.C. Arturo González de Aragón, accepted the commitment to promote technical advances and contacts among INTOSAI members with the aim of exchanging experiences and knowledge among the world community of SAIs in accordance with the spirit expressed in the INTOSAI slogan: “Mutual Experience Benefits Everyone”.

Work will also be carried out jointly and in coordination with the SAI of India,

in charge of the Collaboration Tool offering a means for continual interaction of all INTOSAI members, in such a way that the commitments that are had with regard to the presidency of the Governing Body are fulfilled properly and the advantages of speed and immediacy offered by modern technology are exploited.

In this way, the aim is to maintain the level of quality of INTOSAI from a perspective of continual improvement, so that, in 2010, when a new President of the Governing Board is chosen, it will be taking over an organisation that is active, functional and mindful of the principles of transparency and accountability.

The XX INCOSAI will be held in Johannesburg, South Africa, where new topics will be discussed that are of relevance for government auditing and management. Only by means of the continual exchange of knowledge and experiences can one make progress in the auditing of public resources for the good of nations.

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International Standards of Supreme Audit Institutions

KRISTOFFER BLEGVAD AND ANE ELMOSE
Advisers

(PSC/RIGSREVISIONEN-SUPREME AUDIT INSTITUTION OF DENMARK)

The XIX INCOSAI in Mexico, November 2007, endorsed the proposal from the INTOSAI Professional Standards Committee (PSC); that all official documents of INTOSAI should be gathered in one common framework.

A new website www.issai.org has therefore been launched in order to make INTOSAI's standards and guidelines easily available to auditors around the world. The website provides an enhanced overview of all ISSAIs and INTOSAI GOVs currently in force and inform of new ISSAI's in the pipeline. It contains all documents provided by the responsible committee or working group in the five of-

ficial INTOSAI languages– all ready to print and apply.

The documents are systematically numbered according to a set of classification principles. This clarifies the hierarchy between the documents and makes it easier to see how each document fits into the overall framework. The numbers will also make it easy to make accurate references to the various documents.

The ISSAIs and INTOSAI GOVs

Though there is still work to be done in the next 3 years, you will already now find

Though there is still work to be done in the next 3 years, you will already now find many useful documents on the ISSAI website.

many useful documents on the ISSAI website. At the top of the hierarchy is the Lima Declaration, which is ISSAI 1. Level 2 in the INTOSAI framework are ISSAIs concerning the basic prerequisites for the proper functioning and professional conduct of SAIs. Level 3 of the hierarchy – indicated by three digit numbering – concerns the Fundamental Auditing Principles. Here you can find the four chapters of the existing INTOSAI Auditing Standards that have been split into 4 separate documents numbered ISSAI 100-400. Level 4 of the hierarchy contains all the auditing guidelines developed by PSC's subcommittees and the task forces and working groups under goal 3. This includes implementation guidelines on financial auditing, performance auditing and compliance auditing. The financial auditing guidelines are being developed in cooperation with the International Federation of Accountants (IFAC). They are based on IFAC's International Standards of Auditing (ISA) and the ISSAI number refers to the numbers used by IFAC. For example ISSAI 1300 Planning an Audit of Financial Statements will consist of ISA 300 and a Practice Note developed by PSC's Financial Audit Guidelines Subcommittee. The Practice Note contains guidance relevant to financial audits in the public sector in addition to that provided in the ISA. Level 4 will also include specific guidelines on audit of international institutions, environmental audit, privatisation, IT-audit and audit of public debt.

On www.issai.org you will also find the INTOSAI GOVs. These are a separate class of documents because they do not concern the conduct of SAIs but are issued by INTOSAI to provide guidance to administrative authorities. INTOSAI GOVs include guidelines on internal control standards developed by PSC's subcommittee on internal control and the existing INTOSAI accounting standards framework.

Developing the ISSAIs and INTOSAI GOVs further

The XIX INCOSAI also endorsed the new mandate for the Professional Stan-

dards Committee for 2007-2010, setting out an ambitious working plan for the next 3 years. The strategic plan gave PSC the task of developing principles on transparency and accountability of SAIs, which are now planned to become ISSAI 20. To complement level 2, PSC has decided that it will also develop a new ISSAI 40 concerning audit quality control. The development of these documents will be carried through as two projects under the PSC steering committee and will be chaired by the SAIs of France and New Zealand respectively.

By the new mandate PSC has also made it its ambition to provide a comprehensive set of guidelines for financial auditing, performance auditing and compliance auditing by 2010. In 3 years time the INTOSAI framework will thus include a full set of financial auditing guidelines covering all ISAs (ISSAI 1000-2999). Additional Guidelines are being developed to provide guidance in areas that are specific to financial auditing of SAIs and therefore not covered by ISAs. The new performance audit subcommittee established in 2005, will provide new guidance on performance audit methodology. This will supplement the existing guidelines on performance auditing (ISSAI 3000) from 2004. The compliance audit subcommittee will provide a general guideline outlining the basic definitions of compliance auditing (ISSAI 4000), a guideline on compliance auditing in connection with auditing of financial statements drawing on the ISA's (ISSAI 4100) as well as guidelines on compliance auditing organised in other ways, e.g. as a separate task or in connection with performance auditing (ISSAI 4200).

The success of INTOSAI's new framework will not only depend on the quality of the standards of guidelines but also on the extent to which it is used by public sector auditors around the world. The new website is already up and running. Please check it out for yourself and help us by passing on the message to your colleagues and contacts: The www.issai.org is yours – use it! ¹.

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¹ Following the XIX INCOSAI, all official INTOSAI documents on the role and functioning of SAIs are called **ISSAIs - International Standards of Supreme Audit Institutions**. Official INTOSAI documents offering guidance to public authorities on the proper administration of public funds are called **INTOSAI GOV - INTOSAI Guidance for Good Governance**.

INTOSAI WGEA Chair moved to National Audit Office of Estonia – a member of EUROSAI

THE SUPREME AUDIT INSTITUTION OF ESTONIA AND INTOSAI WGEA SECRETARIAT

The shift of the Chair and Secretariat of the INTOSAI Working Group of Environmental Auditing (WGEA) from Canada to Estonia took place at the XIX INCOSAI in 2007 and the implementation of the new WGEA work plan for the period of 2008-2010 has just been started under the leadership of the National Audit Office of Estonia.

The shift of the Chair and Secretariat of the INTOSAI Working Group of Environmental Auditing (WGEA) from Canada to Estonia took place at the XIX INCOSAI in 2007 and the implementation of the new WGEA work plan for the period of 2008-2010 has just been started under the leadership of the National Audit Office of Estonia. For the new working period, the INTOSAI WGEA has established five strategic goals and associated actions including the elaboration of different guidelines, arrangement of trainings, etc. In total 11 project plans have been prepared by different Supreme Audit Institutions (SAIs). The WGEA Steering Committee is going to oversee and approve all project plans at its 7th meeting on 6-9 May 2008 in Tallinn, Estonia. Considering the central theme of the working period – climate change – several interesting and useful actions have been planned to be implemented and several EUROSAI members are project leaders. For example, guidance material on auditing government's efforts related to sustainable energy will be lead by the SAI of Czech Republic, guidance materials on natural resources and the related impact on the environment by sectors will be lead as follows: forests (SAI of Indonesia), minerals and mining (SAI of Tanzania), fisheries (SAI of South-Africa). An important global activity in the working plan is to design and carry out a multi-regional coordinated audit on climate change (lead by the SAI of Canada). The latter is closely related also to the preparation of guidance materials for auditing climate change (lead by the SAI of Norway). The SAI of Poland will be in charge of car-

rying out the audit on climate change in the European region. Each proposed action requires a SAI to act as an overall project leader. Project leaders are responsible for many aspects of a given project, including preparing individual work plans and progress reports, organising meetings and consultations, authoring drafts, and communicating with the Steering Committee and all WGEA members.

In the process of developing a long-term vision for the WGEA, the work plan includes activities on the elaboration of a formal cooperation strategy with external organisations who share the same interests. The development of the strategy is lead by the SAI of Estonia in cooperation with the SAIs of Poland and Canada. In order to provide for an on-going communication and outreach through the strategy the project implementation foresees cooperation with Regional Working Groups of Environmental Auditing (RWGEAs). Strengthening of the cooperation between the WGEA and RWGEAs is an important goal in the new working period. Mr Mihkel Oviir as the Chair for the new WGEA working period (being also re-appointed as the Auditor General of Estonia for the next 5 years) has taken the challenge to create closer contacts both with external organisations and regional working groups. Already in October 2007 the delegation of Estonian SAI headed by Auditor General Mihkel Oviir visited the SAI of China. One of the items discussed was further cooperation between the regional coordinator and the Chair of the WGEA. In April 2008 the WGEA Secretariat attended the fifth meeting of the RWGEA of the SPASAI: the

The SAI of Poland will be in charge of carrying out the audit on climate change in the European region. Each proposed action requires a SAI to act as an overall project leader.



WGEA project plans were introduced and the perspectives of mutual cooperation were discussed.

The SAI of Estonia has initiated designing of a new WGEA visual identity which is now ready. Also a web page containing the "Frequently Asked Questions" that appear in the document *Evolution and Trends in Environmental Auditing* will be created. In addition there is a plan to develop a new web page for the topic of biodiversity (similar to the current Focus on Water and Focus on Waste pages). On the new web page in-

formation on environmental audits will be updated according to the data gathered in the course of the Annual Data Collection on Environmental Audits which was launched in the middle of March this year. Information on new environmental audits in year 2007 should be found on the web page by the end of September 2008.

After the 7th Steering Committee meeting the next important WGEA event is the twelfth meeting of the WGEA that will be held in Doha, Qatar from 25 to 29 January 2009.

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Cooperative audits as a practical form of exchanging audit experience. Frameworks of cooperation among Supreme Audit Institutions



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DR. PÁL BECKER

FIRST ASSOCIATE DIRECTOR GENERAL OF THE SUPREME AUDIT INSTITUTION OF HUNGARY

The XIII INCOSAI held in Berlin in 1989 stated that contacts and exchange of experience among the Supreme Audit Institutions (SAIs) of European countries need reinforcement, in order to facilitate the convergence of various systems, procedures and methods of public sector auditing, and to increase the efficiency of their own activity and that of joint work.

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In order to promote effective auditing and to raise its standard of auditing, the State Audit Office of Hungary (SAO) maintains bilateral and multilateral international relations. The SAO uses the experiences gained through such cooperation to raise the professional standard of its audits,

and contributes to the professional development of partner institutions by transferring its experiences. The bilateral and multilateral agreements of the SAO are aiming at the exchange of professional experiences and development of national audit methodologies through holding continuous professional consultations and conducting various audits.

Both of the two major audit types - regularity audits and performance audits - can be applied to audits performed on the basis of international agreements. In terms of cooperation, three audit types can be distinguished according to INTOSAI definitions: parallel, joint and coordinated audits.

In case of **concurrent or parallel audits**, two or more SAIs carry out an audit, on the basis of similar audit programmes, more or less at the same time. Each SAI employs a separate audit team to complete the audit, and reports the audit findings exclusively to the respective authorities, normally to the legislative body. An advantage of parallel audits is that international legal difficulties do not arise in the course of execution, as each SAI is to observe the respective national legal regulations only. However, the impact of these audits is minor compared to that of a joint or coordinated audit. In addition, experiences confirm that parallel audits are time-consuming. It is very difficult to plan ahead and coordinate the priorities of two SAIs in terms of auditing, scheduling and other activities. At the same time, concurrent audits may reveal information that would not become available, if the two SAIs perform their audits completely independently from each other.

In case of a **joint audit**, the work is performed by an audit team consisting of members representing SAIs of two or more countries. A single joint report is produced on the joint audit, to be published in each participating country. An advantage of joint audits is, for example, that it is easier to coordinate and lead, compared to parallel audits, which bring about savings in human capacity. Another advantage is that although it is more difficult to plan and conduct joint interviews, they yield much more information. A joint report also makes a more considerable impact. Experiences suggest that the success of joint audits mostly depends on good preparatory work performed by the participating SAIs. A disadvantage can be that political sensitivity may vary in the participating countries, and legal difficulties may also arise. The opinions of participating SAIs may also differ on formulating the final report. Disadvantages may be reduced if the participants of the joint audit are properly and efficiently functioning SAIs of countries that are also geographically close.

Practice has given rise to **coordinated audits**, which entail the performance of a joint audit and the elaboration of separate reports, or the performance of parallel audits and in addition to the national reports the elaboration of a joint report. Coordi-

nated audits are deemed particularly useful when legal problems arise due to differences in audit mandates of the SAIs, which may influence publishing the audit findings and conclusions.

In general, a major requirement of cooperative audits is for the participating SAIs to be able to share the information and knowledge obtained. This may certainly be the case even if the SAIs do not take part in joint, coordinated or parallel audits. Nevertheless, experiences confirm that a more intensive and effective exchange of information and knowledge among participating SAIs takes place in the course of joint audits. It is valid for cooperation in general that much depends on the personal attitudes of participants, i.e. on their willingness to work together. The cooperating SAIs must consider political and economic factors as well. It is particularly economic-financial forces that may object to certain aspects, for example enforcing environmental considerations. In addition, SAIs should consider cultural, historical, religious and language differences.

In line with the INTOSAI principles, the SAOs intend to intensify the exchange of information among partner SAIs. We have acquired useful methodological knowledge during previous cooperative audits, which we have also subsequently incorporated in our audit system. Secondly, we wish to evaluate compliance with bilateral and multilateral international agreements. Thirdly, we examine cross-border environmental impacts with respect to the utilisation of resources of domestic and EU support. Finally, an important goal is to analyse the efficiency of projects implemented under international management and coordinated financing.

The process of audits performed in international cooperation

After an opportunity for international cooperation emerges, in line with the strategies of the SAI, the INTOSAI and the EUROSAI an initiative is started at the SAI Head level among national audit offices concerning the subject of audits. The SAIs involved in the cooperation need to pass decisions as early as in the preparation phase. So, first of all they need to define

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- the implementation of which investment project or international agreement they will audit;
- where and how they will obtain information on the project / agreement;
- a way of measuring or evaluating how efficient or economical the project or compliance with the agreement is;
- whether the audit represents any risk for the SAI;
- whether another national audit office can be involved in the audit, and to what extent.

In addition, the type, scope and nature of the audit need to be defined. In the event of cooperation between two or more SAIs, the participants agree on the framework of cooperation. They pass decisions on issues such as the nature of audit, the standards applicable to reporting, scheduling, and the distribution of human or other (financial) resources. Cases such as differing views concerning the scope of audit, recommendations and conclusions are also regulated.

Following the conclusion of the cooperation agreement, the actual work begins, starting with agreeing on audit programmes and criteria at strategic and operational levels. While conducting the audit, the participants stay in continuous contact by phone or e-mail, and in the course of working meetings they also inform one another of the audit results and the shortcomings revealed.

Upon conducting the audit, the parties agree on technical issues concerning the joint report, addressing the report structure, as well as the tasks of translation and printing. It is also important to define how SAIs share reporting tasks. On compiling a joint report, operational professional discussion is needed; in addition, the translation must be proofread¹, the report layout must be designed,² and quality assurance duties must also be performed.

Joint reports (in three or more languages) are approved at a working meeting

attended by the participating SAI Heads, and this is where an agreement is reached on the utilisation and distribution of the report. The finalised report is signed by the SAI Heads during a solemn ceremony, and then it is forwarded to the national assemblies of the countries concerned, the European Court of Auditors, the SAIs of EU Member States, representatives of the media, and public access is provided through the Internet.

After the audit is completed, experiences gained from conducting the audit must be evaluated. The evaluation covers an analysis of the benefits and disadvantages of the applied audit method, as well as the key lessons learned during audit planning and execution. It is also recommended to evaluate the key experiences gained by the participating parties during the cooperation itself. The audit result is utilised in the course of follow-up audits or auditing further international agreements.

The SAO experiences concerning parallel audits

The State Audit Office of Hungary has been conducting parallel audits in the framework of international cooperation since the turn of the millennium.

In 2001, in cooperation with the Slovene Court of Audit the SAO audited the construction of the Zalaötvö-Bajánsenye-Hodoš-Murska Sobota railway line. The cross-border railway connection was designed and constructed in an inter-governmental project involving cooperation of the two countries. Each SAI performed an audit of the section located in their respective territory, focusing on the soundness of the planning of the investment projects, of public procurement tenders and of project financing. In addition, both SAIs examined environmental considerations of constructing the railway line, as well as other impacts of the project. The joint report presented the activi-

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¹ A joint report on audits performed with the participation of the SAO includes (a minimum of) three language versions: Hungarian, being the SAO's language, the language of the partner SAI(s), and English, being a lingua franca and the language used most frequently in international cooperation.

² An example: The layout of the joint report on the Swiss-Hungarian parallel audit differs from the SAO's traditionally used colours. The colour of the Swiss Federal Audit Office's logo virtually shaded into the sand colour of the report cover; consequently, the colour of the cover had to be lightened.

ties of the two countries in the railway construction, it compared the audit results – particularly data on the construction expenditures related to establishing a railway connection between the two countries –, and pointed out which country was financially more efficient on constructing the railway line. Furthermore, the report assessed the effectiveness of the investments in the light of the planned objectives.

In 2002, we audited an investment project concerning a common bridge over the Danube, linking Esztergom and Sturovo. Within the framework of mutual agreement the State Audit Office of Hungary and the Supreme Audit Office of the Republic of Slovakia conducted concurrent audits of the investment project in their respective territories. The audit was based on a mutually agreed and approved audit programme. The audit teams of the two SAIs held consultations and shared experiences on a regular basis. Considering that the investment project was implemented partially from EU funds, the two SAI Heads sent the report to the European Court of Auditors and the competent EU bodies with a joint accompanying letter, as well as submitted it to the National Assembly of the Republic of Hungary and the National Council of the Republic of Slovakia.

In 2003, in cooperation with the Austrian Court of Audit the State Audit Office of Hungary audited the nature conservation in Region Lake Fertő/Neusiedl. The geographical location of the lake and international obligations impose shared duties on the two countries, which justified a cooperative audit to be carried out by the two SAIs. The SAIs applied basically the same audit methodology to carry out their audits. They held consultations concerning the audit topics and methods on a continuous basis, and then submitted their national reports to the legislative bodies of their respective countries, while in their joint report they summarised cross-border problems and measures.

The Swiss-Hungarian parallel audit performed in 2004 – concerning investment in the Lötschberg Base Tunnel and the Szekszard Danube Bridge - differed from the parallel audits conducted previously, given that the two SAIs used different methodologies. The main purpose of the parallel audit was to compare the audit

practice of the two audit offices on different time spans. The Swiss practice is based on the assumption that the risks related to opportunities and dangers are highest in the initial phase of planning and construction processes. These risks diminish as the implementation of the investment project progresses. Audits performed by the Swiss SAI are a priori (ex-ante) audits aimed at a recently closed element of the planning or construction process, and may be repeated in the course of project implementation. As opposed to this, the SAO performs a posteriori (ex-post) audits, comprehensively examining the effectiveness, economy and efficiency of the project considering the whole life cycle after the investment project has been completed. The seminar concluding the parallel audit came to the conclusion that the audit has contributed to the further development of the professional standard of both SAIs; the joint work motivated and facilitated the understanding of both country-specific and the divergent methods and procedures used for financial audits in the two countries. On these grounds, the two organisations recognised useful insights that would assist subsequent audit activities. Both audit offices reached the conclusion that such parallel audits have considerable benefits and yield real insights, as well as provide impetus to examine the background of good practices. Based on the audit experiences, the SAO decided to supplement its audit methods with the ex-ante audit approach in case of mayor investment projects.

The SAO's practice in conducting coordinated audits

In 2004-2005, when auditing the flood control preparedness in the Upper Tisza region, the SAO cooperated with the Accounting Chamber of Ukraine. For both parties, the programme of the parallel audit represented a part of the audit tasks in the annual audit plans of the respective SAI, and the parties defined the common considerations of the audit based on the monitoring of the compliance with the provisions specified in an intergovernmental agreement on water management issues related to transboundary waters. The SAO audited the preparation for the prevention of natural disasters in the framework of a performance audit, while the Accounting

In 2004-2005, when auditing the flood control preparedness in the Upper Tisza region, the SAO cooperated with the Accounting Chamber of Ukraine.



Chamber of Ukraine audited the state programme covering the complex flood control preparedness of the catchment area of the river Tisza and in the Sub-Carpathian region. The joint report presents a summary of the findings of the Hungarian and the Ukrainian parties, also covering joint conclusions related to the fields of trans-boundary water cooperation.

In 2004, the Heads of the SAIs of Hungary, Slovenia and Austria agreed on conducting coordinated audits on handling the – often similar – problems of the environment and nature protection for the area situated at the common border area of the three countries. Each SAI had had experiences of successful cooperation in bilateral audits. This close trilateral cooperation was inspired by the EUROSAI Working Group on Environmental Auditing. It is a shared conviction of the involved SAIs that the audit findings and experiences contributed to the development of professional cooperation in the field of environmental auditing. The audit on environmental issues performed by the SAIs covered matters of water, soil and nature conserva-

tion. Geographically, the audited area covered the common border region of the three countries, while in terms of time, the period between 2000 and 2005, highlighting tendencies and recent events. The audits put special emphasis on cross-border cooperation among the competent organisations in the three countries in the field of environmental protection. All the three SAIs performed the audit within their respective scopes of authorities, incorporated in their national audit work plan – in addition to the in-depth harmonisation of the audit criteria. The trilateral audit represented another step forward in terms of cooperation among the SAIs of the three countries, and in terms of exchanging professional information.

Based on the experiences gained through joint audits performed so far it can be clearly established that they were extremely useful for the participating SAIs. Harmonisation of audit methodologies and culture represents a small step towards a goal that is currently still distant, namely, a uniform European practice of public auditing.

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Corruption risk mapping in Hungary: Summary of Twinning light project of Netherlands Court of Audit and State Audit Office of Hungary¹

THE STATE AUDIT OFFICE OF HUNGARY

The State Audit Office of Hungary (SAO) has emphasized the need for increasing the fight against corruption and improving the transparency and accountability of the public sector on several occasions, on various national and international forums. Although the fight against corruption is not explicitly defined among the mandate of the SAO, by means of its audits, it may significantly contribute to the provision of decision-makers with valid information in this respect.

Introduction

The State Audit Office of Hungary (SAO) has emphasized the need for increasing the fight against corruption and improving the transparency and accountability of the public sector on several occasions, on various national and international forums. Although the fight against corruption is not explicitly defined among the mandate of the SAO, by means of its audits, it may significantly contribute to the provision of decision-makers with valid information in this respect. The SAO facilitates the decision-making activity of the Parliament and parliamentary committees by its audits and findings; it publishes its reports and sends the same to the government agencies concerned as well. The SAO of Hungary plays an active role in anti-corruption efforts and encourages the further development of the anti-corruption policy of the Hungarian Government.

Against this background the SAO has taken steps to initiate an EU funded Twinning Light project focusing on the development of a corruption risk mapping methodology to further promote the anti-corruption efforts in Hungary. The Netherlands Court of Audit (NCA) has agreed to be partner in this project and to share its

knowledge and experience in this field with the SAO. The specific objectives of the project were to develop an assessment and mapping methodology for corruption risks in the public sector of Hungary. The result of the project will also help to make recommendations to the Hungarian Government concerning the anti-corruption measures to be taken.

This article provides an overview of the most important results of this project and describes the developed methodology and summarises the recommendations for the anticorruption strategies of the Hungarian government, resulting from the project.

Level of corruption

In the Transparency International (TI) Corruption Perceptions Index (CPI) Hungary's ranking and scores have remained almost unchanged in the last six years (see Table 1).

Hungary is perceived as less corrupt than other Central and East European transition countries covered by the surveys, except Estonia, Slovenia and the Czech Republic. According to the Business Environment and Enterprise Performance Sur-

This article provides an overview of the most important results of this project and describes the developed methodology and summarises the recommendations for the anticorruption strategies of the Hungarian government, resulting from the project.



¹ By the Netherlands Court of Audit (Hans Benner, Ina de Haan, Juul Vos- Schellekens, Diny van Est) and the State Audit Office of Hungary (Gusztáv Báger, Gyula Pulay, Andrea Korbully).

Table 1: TI Corruption Perceptions Index (CPI) Hungary

	Score*	Confidence Range	Ranking	Number of countries on the list
2001	5.3	4.0-6.2	31	91
2002	4.9	4.0-5.6	33	102
2003	4.8	4.0-5.6	40	133
2004	4.8	4.6-5.0	42	146
2005	5.0	4.7-5.2	40	159
2006	5.2	5.0-5.4	41	163
2007	5.3	4.9-5.5	39	180

* On a scale from one to ten, a country completely free from corruption could get 10 points

vey (BEEPS) conducted by the World Bank, 10 per cent of firms say that unofficial payments are frequent (half of the figure of 2002), and 25 per cent of firms indicated corruption as a problem when doing business (20 per cent in 2002).²

Although according to independent assessments Hungary ranks among the less corrupt of the post-communist countries, surveys indicate that corruption continues to represent a serious problem.

The Hungarian Government initiated anti-corruption programmes several times mainly as a consequence of international pressure. From 2007 a new strategic approach has been prevailing. The Anti-Corruption Coordination Board (ACCB) was established which performs its activity now on the basis of publicity and professional partnership. The main task of the ACCB is to prepare an Anti-corruption Strategy and short-term Anti-corruption action plan. The ACCB involves not only the government but also non-governmental public organisations and representatives of the civil society in this work.

The ACCB has prepared the draft Anti-Corruption Strategy which is to be built on the following overall objectives:

- winding-up of reasons of corruption (prevention of development of corruption situations)
- treatment of the corruption phenomena (consequent law enforcement).

This Twinning project fits in the first overall objective of the draft strategy.

Corruption and integrity

Several definitions and approaches of corruption exist. Corruption may for example be defined in a narrow sense, as in the context of the penal law (bribery). However many policy makers and designers of anti-corruption strategies have discovered that such a narrow definition is not the best possible basis for prevention of corruption. If you look at the problem from this perspective, corruption as phenomenon is closely related to other types of undesirable events and behaviour. To prevent these undesirable events, it is important to have policies in place promoting good behaviour. In this way the scope has changed from fighting corruption to promoting good behaviour or ‘integrity’. This focus provides a better perspective for a more preventative approach in which the promotion and protection of integrity in the public sector is the core issue.

Life cycle of anti-corruption policies

In the approach of government the shift of focus from narrowly defined corruption to a broader concept of integrity is usually a development process with some typical stages. In the past 20 to 30 years for example the Dutch government went through this process, but it is also recognisable in other countries.

The stages in the life cycle of anti-corruption policies may be summarised as follows.

Although according to independent assessments Hungary ranks among the less corrupt of the post-communist countries, surveys indicate that corruption continues to represent a serious problem.



² Corruption risks in Hungary National Integrity System Country Study Transparency International 2007. p. 23.

1. *Ignoring / denying the problem:* In this stage the government is not devoting attention to the problem of corruption and has no policies to promote integrity. When incidents occur, they are handled silently avoiding (media) attention as much as possible.

2. *Awareness / 'wake-up call':* At a certain moment in time external pressure, an incident or scandal may suddenly raise public awareness of the problem. This may be regarded as a wake-up call for government that the existence of (widespread) corruption is evident and the problem can no longer be denied or ignored.

3. *Hard-line or compliance approach:* The initial response, once the government has become aware of the problem, is a typical hard-line approach. The focus is clearly on (criminal) law and regulations and repression of corruption. The general belief in this stage is that investigating, prosecuting and severely punishing corrupt people is the best approach to tackle the problem.

4. *Recognition of limitations of repression only:* In this stage the government gradually recognises that the repressive approach has its limitations. Despite the prosecution of a number of cases, it's difficult to find and tackle all incidents, because they are not always clearly visible. Although the prosecution of some cases may be successful, it does not prevent or deter others from committing the same offence. The focus on repression also has its limitations, since it does not stress the responsibility of management for preventing corruption. Mistakenly the 'ownership' seems to rest at the public prosecution and the judiciary only.

5. *Focus on prevention / integrity approach:* Once it is recognised that prevention of integrity breaches is necessary, the government commences with implementing integrity policies and controls. Usually starting with the so called 'hard controls' (for example assigning responsibilities, internal controls, security and checks). In a later stage government organisations focus on the 'soft controls' (for example defining values, promoting an ethical culture and management attitude).

6. *Balanced approach: prevention / repression:* Ultimately the ideal situation of best practice may be attained. This best

practice may be described as a well-balanced approach including preventative and repressive elements.

Although the stages are described in consecutive order, this does not mean that governments always follow this pattern. Due to institutional developments, governments may fall back into earlier stages of anti-corruption policies. It may therefore be a long road to travel and it requires careful steering to arrive at the ultimate destination.

The concept of integrity

The term integrity is derived from the Latin *in-tangere*, meaning untouched. In other words, it refers to something or someone that is untainted, intact and untarnished. It also refers to virtue, incorruptibility and the state of being unimpaired. Integrity is a hallmark that is used to assess a person or organisation's performance.

Civil servants act with integrity if they observe the values and standards of good administration. Integrity embraces not only the requirements of incorruptibility mentioned above but also such values as honesty, sincerity, sociability, neutrality, consideration, reliability, customer-focus, respect, objectivity and decency. A civil servant must take care to exercise his responsibilities and use the powers, information and resources at his disposal for the benefit of the public. The same is true of an organisation, but an organisation must also do all it can to ensure that its personnel cannot succumb to temptation. Organisations must not make unreasonable or impossible (conflicting) demands on staff, regularly and clearly remind them of the importance of integrity, ensure that managers set a good example, and create an open and transparent culture in which criticism is accepted, mistakes can be made and difficult questions can be discussed. In brief, the organisation must implement an effective integrity policy.

Integrity is therefore a product of good administration and good employment practices. Integrity risks might seriously undermine confidence in the organisation and thus in its image and continuity.

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Integrity risks, vulnerabilities and controls

All public organisations are vulnerable and are to some extent exposed to integrity risks. Organisations must be aware of their vulnerabilities and risks, so that they can take targeted measures. It is both illusory and undesirable to think that all risks can be averted or closed out. That would need so many rules and procedures that the organisation would no longer be able to function. Risk analysis can help decide what measures will help to reduce the risks for an organisation to an acceptable level.

Risks may be described as the likelihood or probability of a certain undesirable incident occurring multiplied by its impact or the damage it would cause (Risk = Probability x Impact). Damage in the public sector can be defined in terms of financial loss, the impairment of services provided to clients or members of the public, the waste of tax revenue, public loss of respect for or confidence in the government, political and administrative implications or a deterioration in the working atmosphere. The common denominator is that misuse of power damages the image of the public sector and undermines the public trust in and legitimacy of government.

Vulnerabilities are defined on a higher level of abstraction, indicating areas where risks are more likely to occur. It's useful to focus on vulnerabilities, because it provides a good insight into potential problems and the ways to address them, without having to define all possible risks in detail.

Organisations may cope with their vulnerability in different ways. They may try to eliminate or reduce vulnerabilities by avoiding vulnerable activities. In practice however this will rarely be possible. Public organisations have certain obligations by law and cannot avoid engaging into sensitive activities. Inherent vulnerabilities are usually related to the task of a public organisation and vulnerability increasing circumstances are often unavoidable.

Usually a more viable way to cope with vulnerability is to design and implement compensating (integrity) controls. Since vulnerabilities are diverse in their nature, it is important to design a well balanced set of controls or integrity control

system. Depending on the 'maturity level' of the integrity control system, the organisation is more or less resilient to the vulnerabilities it is facing.

The outline of the assessment method developed during the project

The assessment methodology consists of five separate steps that may be taken by an organisation by means of a self assessment or may be integrated in an audit approach.

(a) Analysis of object and its processes

The first step is to define and analyse the organisation or entity under assessment and its (primary and secondary) processes. Setting clear boundaries is essential for the focus of the assessment and the value of its results.

(b) Assessment of vulnerabilities

In this step, an estimate is made of the vulnerability, i.e. the potential exposure to integrity violations, of the entity described in step (a). This step consists of three sub-steps:

1. relating the processes of the entity to an overview of processes in the public sector that are known to be vulnerable to breaches of integrity;
2. considering the presence or absence of vulnerability increasing circumstances;
3. producing an overview and overall assessment of the perceived vulnerability of the entity.

To support these three steps a scoring technique has been developed to provide guidance for determining the level of vulnerability.

(c) Assessment of the resilience or the maturity of the integrity control system

In this step the maturity of the integrity measures that together form the organisation's integrity control system is assessed. The system is divided into 14 clusters, with the clusters being subdivided into three blocks. This step consists of the following four sub-steps:

1. brief introduction to the integrity control system, made up of measures, clusters and blocks;
2. brief introduction to the maturity levels;

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3. assessment of the maturity level of all the measures by awarding them points;

4. summarisation of the scores to produce an average per cluster and block; this shows which clusters and blocks are relatively robust or weak.

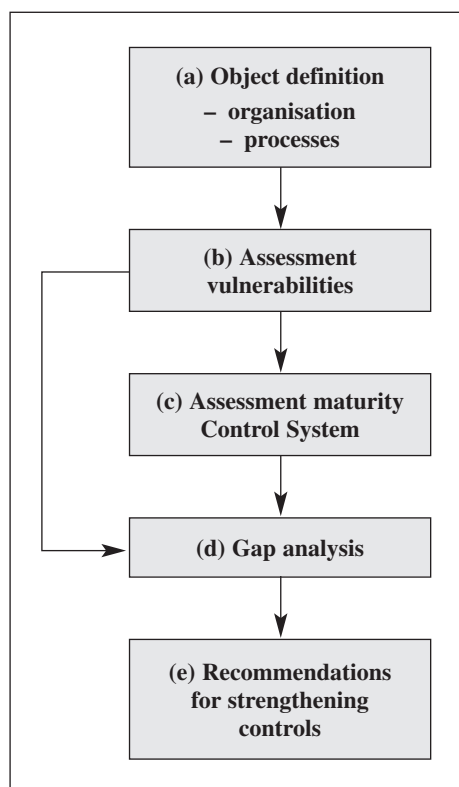
(d) Gap analysis, assessment report and recommendations

This final step is to establish the balance between the vulnerabilities (b) and the resilience or maturity level of the integrity control system (c). The analysis should clearly show the remaining vulnerabilities after the confrontation of the vulnerabilities and specific integrity risks with the relevant control measures in the integrity control system.

(e) Recommendations for strengthening controls

The gap analysis provides input for the assessment report. The central question is which measures are the most appropriate to address the most important vulnerabilities. The results of this exercise are recommendations to strengthen resilience against integrity risks.

The following diagram presents a schematic overview of the assessment methodology.



Integrity risk mapping

The assessment methodology as explained above focuses on an organisation or entity. Every organisation in the public sector has its own specific characteristics and therefore a unique profile. However, clusters of similar public sector organisations may be identified, for example municipalities or hospitals. The organisations belonging to these clusters have similar tasks and activities and their vulnerability profile will therefore be similar as well. Taking this into account, the assessment results of individual organisations can be combined and integrated to produce a systematic overview on the level of the entire public sector or clusters thereof. Such an overview is referred to as risk map; in this case an integrity risk map.

A risk map helps to recognise weak points, formulate possible improvements and prioritise efforts. Also it gives an opportunity to evaluate improvements over the years.

An integrity risk map for the Hungarian public sector can help to:

- identify vulnerable sectors within the Hungarian government;
- recognise strengths and weaknesses in the integrity system in the Hungarian public sector;
- formulate improvements and establish an adequate integrity control system for Hungarian governmental organisations;
- prioritise investigative efforts (repression);
- monitor and evaluate improvements over the years.

Ideally the most comprehensive risk map for the public sector of a country is assembled on the basis of the assessment results of all organisations constituting the public sector. These assessment results should not only include the vulnerabilities, but also specific risks, maturity level of measures and remaining risks. If the risk map is based on these rich data, it produces a detailed insight in the specific vulnerability of (parts of) the public sector, as well as the resilience against it.

Requirement and conditions

In order to successfully introduce the risk map approach, the project yielded an

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implementation plan, stipulating the following conditions:

Action plan: The risk map should be part of the final ACCB action plan.

Training: The integrity approach requires training. Not only for auditors, but also for moderators within organisations conducting the self assessments.

Infrastructure: A platform should be established that is assigned the task of coordinating the training, the information collection and analysis and support for self assessment, with an appropriate budget.

Attractivity: The contribution to the risk map should be made attractive for organisations. Rather than making it compulsory, e.g. by law or by incorporating it in the SAO audit planning, this may be reached by ‘rewards’, e.g. awarding a quality certificate for organisations who perform self assessments.

During the implementation it is important to keep an open eye for the following strategic requirements.

- Try, if possible, to involve organisations rather than to force them. This way it is easier to establish problem ownership within the organisations themselves.

- Where possible, look for the opportunity to integrate self assessment into audit strategies. The SAO can e.g. stimulate the colleagues from the audit or control departments within the ministries to use self assessment methodology.

- Use risk mapping not as an instrument to control, but rather as a way to raise awareness of integrity problems that organisations themselves can improve on.

- In reporting, focus on interesting topics resulting from the (horizontal) comparison of organisations.

For the success of the project it is important that SAO’s external stakeholders with regard to anti corruption tasks are involved. This has been a recurring theme in all phases of the project. Also for the sustainability of the project results stakeholder involvement is crucial. It is not only a matter of transferring ownership of the method to SAO staff, but also of commitment to the integrity risk mapping approach by key players and other stakeholders (e.g. ministries, local governments, NGOs).

Anti-corruption policies

The simultaneous development of the Anti-corruption Strategy of the government and the related action plan provides an excellent opportunity for the direct utilization of the project results. It allowed us to make suggestions for the elaboration of the anti-corruption governmental strategy and the action plan, based on our experience gained in connection with the programme. We have the following five comprehensive suggestions to promote the development of the strategy:

1. The establishment of fair and ethical conduct in public offices and the development of the necessary organisational culture should be emphasized in the anti-corruption strategy.

2. The individual budgetary institutions should play a key role in the improvement of the integrity of employees and the prevention and screening of corruption.

3. Prevention is the most effective way of fighting corruption, therefore the systematic assessment of corruption risks and prevention based on such assessment should be given high priority.

4. A corruption risk map should be prepared with the application of the methodology developed in the course of the project, which should specify the place, type and nature of areas with a high level of corruption risks in the Hungarian public sector.

5. Anti-corruption fight shall not be restricted to public institutions, but the approaches and methods should be applied, with necessary adaptation, to businesses as well, particularly if they are directly related to the public sector.

The central recommendation for the Hungarian government is to consider developing an integrity policy for the public sector, as well as creating the legal basis to support it. The integrity policy and the government’s anti-corruption efforts should be designed and implemented as a continuous activity and not as a project. This implies creating a (new) organisational structure to ensure this.

The integrity policy should be based on a (comprehensive) integrity risk analysis. This twinning light project, focussing on

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preparing a corruption risk map for the Hungarian public sector, may be considered a starting point to implement this.

Acknowledging that in various parts of the Hungarian public sector anticorruption measures are taken, it is recommended to

bring together the available measures in a consistent framework and to promote standardisation, co-ordination and transparency about these measures and efforts. Existing integrity legislation should be enforced consistently.

Russia and Norway in groundbreaking audit cooperation

THE NATIONAL AUDIT OFFICE OF NORWAY

The Barents Sea, one of the most productive fishing grounds in the world, covers a part of the Arctic Ocean extending from the Norwegian Sea in the West to the Russian Novaya Zemlya in the east. Fisheries in these waters are extensive, but the management of the resources represents a challenge since fish stocks migrate across national borders. Sound exploitation thus requires international cooperation. Norway and Russia have jointly managed fish stocks since the 1970s. Over-fishing of cod is one of the biggest challenges the two countries face in this regard. Over-fishing threatens the sustainability of the stock and may lead to extinction on the long term.



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On this background the Audit Chamber of the Russian Federation and the Office of the Auditor General of Norway in 2006-2007 conducted a parallel performance audit of the management and control of fish resources in the Barents Sea and the Norwegian Sea. An important goal for the audit was to contribute to a common Russian-Norwegian understanding of

how the fish resources in this area are managed and of the problems connected to this.

The parallel audit was based on common audit questions and criteria, but was conducted independently in each country by the national SAI. Two different national reports were produced, as well as a common memorandum in which both SAIs agreed upon the main findings of the audit. In addition, the national reports were translated and included as an attachment to each country's report to parliament.

The main findings of the audit draw attention to important dimensions of the management of the fish resources. The audit shows that there are considerable quantities of unregistered catches of cod in the Barents Sea. It also shows that there is great uncertainty attached to the estimates of these catches. This uncertainty represents a challenge in itself because flaws in the data on catches reduce the quality of stock estimates, on which the recommended fish quotas are based. The SAIs thus stated that it is necessary to develop a com-

The parallel audit was based on common audit questions and criteria, but was conducted independently in each country by the national SAI.

mon method of estimating the quantities of illegal, unreported and unregulated fishing. Furthermore, the audit revealed that there are considerable differences between the Norwegian and Russian fisheries laws and regulations and fisheries control apparatuses. The SAIs also pointed to the unsatisfactory fact that marine scientists from both countries had had problems carrying out planned research cruises.

This is the first time that the Norwegian and Russian SAIs have carried out a parallel audit of this kind and scope. The cooperation proved to be so successful that the SAIs have agreed to follow up the audit

over the next three years. The objective is to assess whether the audit has contributed to a more effective and efficient management of the common marine resources and whether it has contributed to solving the problems related to illegal fishing and transshipment. The continued cooperation was defined in an ambitious and binding operative plan signed in January 2008.

As a result of the cooperation the two SAIs have reached a common understanding of the challenges the two countries face regarding the management of the fish resources. It has also created a solid base for future cooperation on other audits.

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