

E U R  S A I

EUROSAI INNOVATIONS | VOLUME III

**Sharing good practices among
Supreme Audit Institutions**

**EUROSAI
April 2015**

The publication *EUROSAI Innovations: Volume III* has been produced by the EUROSAI Goal 1 Committee chaired by the President of the Hungarian State Audit Office Mr László Domokos.

This is the third volume; to access volumes I and II please use the links below:

www.eurosai.org/export/sites/eurosai/.content/documents/news/Eurosai-Innovations_final-114-13.pdf

www.eurosai.org/handle404?exporturi=/export/sites/eurosai/.content/documents/strategic-plan/goal-team-1/Innovations-volume-II_Web.pdf

Foreword

In 2014 we published our second volume of **Innovations**, highlighting new ways Supreme Audit Institutions (SAIs) in Europe were seeking to improve their performance and to more actively engage with their auditees, parliaments and citizens. The publication was well received and has been, or is in the process of being, translated into many different European languages.

This third volume builds on the excellent examples of good practices identified in the first two volumes and shows the breadth of new thinking across the members of EUROSAI has not diminished.

Innovations in this edition, as in prior editions, range over the widest aspects of running a modern SAI. There are examples of good practices in managing audits efficiently and effectively as well as examples of innovations in how audit institutions communicate and promote their work to citizens, the media and governments.

There is something in this edition for all audit staff and staff working in corporate services within SAIs so please make sure that it is widely disseminated in your institutions.

As with Volumes I and II, Volume III provides contact emails. If you want to learn more about any of the innovations, contact these people directly. Part of the aim of this publication is to facilitate peer-to-peer learning.

Our aim is to bring out further editions of this publication – so if you have innovations you are proud of then let us know and they will be published.

I would also like to thank Mr Péter Dankó for chairing the EUROSAI Goal 1 Committee on capacity-building and the UK National Audit Office, Mr David Goldsworthy, and Ms Fazila Ragi in particular, for helping create this publication.



Mr László Domokos, Chair

EUROSAI Goal 1

Président

Austria: Rechnungshof

MIDaC-Management system for information, decision and controlling clients database

To increase the user-friendliness for its employees, different databases of the Austrian Court of Audit (ACA) are interlinked. This assists the employees at the ACA in their daily work and provides an improved basis for the decision-making processes and for the work of managers.

The MIDaC is a large database that consists of a client database, a personnel database and a planning and support database. The client database is linked to the Commercial Register. The aim is to support employees, provide information at the flick of a switch and interlink sources of information. This provides employees with the option for targeted queries, thereby ensuring that the data are not collected multiple times – but mainly in an automatised way.

From these data, information can be generated for the internal website, such as official appointments and absences and so on. Indicators that could only be established partly and manually can now be retrieved directly.

This automation has helped to release the ACA's departments from many organisational tasks and allows for an automated workflow. The system is being continuously expanded and adapted to the needs of the auditors.

For further information on the MIDaC, please contact 1B3@rechnungshof.gv.at

Follow-up enquiry

The ACA continuously evaluates its performance and impact. For this purpose, it has developed a two-stage system of impact assessment. In the first stage, the ACA performs a follow-up enquiry on the recommendations issued by the ACA in the previous year. The results of the follow-up enquiry are published and form the basis for the second stage of impact assessment – the 'follow-up audits'.

With regard to the recommendations given by the ACA in the previous year, the ACA asks the audited entities to report on the level of their implementation. This level (implemented, promised and outstanding) is categorised based on their answers.

The results of this follow-up procedure are published in the activity reports at the Federal, Laender and Municipal level. At the same time, they also provide the basis for the second stage of impact assessment, the 'follow-up audits', which are the strongest tools of impact assessment. In the 'follow-up audits', the ACA examines the implementation of its recommendations on site. This is an important contribution to the sustainability of financial control since it enhances the value of audit activities and the effectiveness of recommendations.

Since its introduction in 2009, a constant quota of approximately 80% of recommendations has been implemented per year.

For both procedures – that is, the follow-up enquiry as well as the follow-up audits – the ACA has developed quality standards, which are revised on a regular basis.

For further information on the follow-up enquiry, please contact 1B3@cfyrechnangshof.gv.at

Communication with parliament and media

The ACA is the independent Supreme Audit Institution for the Federal Government, the Laender and the Municipalities. Its most important goal is to provide the best possible use of public funds, which can shape the external communication of the ACA. Active public relations constitutes a significant element of enhancing the impact of the ACA and is the key to independent government audits.

The ACA's communication activities are based on its audit findings. It provides information to the National Council, the Laender Governments and to the public as to whether public resources are used in a regular, efficient, economic and effective way and are in line with sustainable development. Communication advances the ACA's core task, namely identifying possibilities for improvement. By issuing convincing recommendations, the ACA provides added value for society. It paves the way for innovations and reform by engaging in active, future-oriented, timely and open communication.

The ACA engages in integrated communication, which conveys its unique identity both within the ACA as well as externally vis-à-vis the public. This will enhance the impact of the ACA as well as the reputation and credibility of democratic control in the long term and in a sustainable way.

Consequently, the ACA developed a quality standard for communication. It defines the tasks, the structure as well as the role and responsibilities for the standard of communication. It also lays down the strategic goals, tools and quality indicators for internal and external communication based on an analysis of strengths and weaknesses. For further information on the communication with parliament and media, please contact 1B3@rechnungshof.gv.at

Position papers

The Austrian Court of Audit (ACA) perceives itself as a trailblazer for innovations and reforms. In its strategy, it commits itself to actively contributing its knowledge and to sharing its experiences gained during its audits. In addition to its reports, it also publishes the so-called 'positions' that serve to perform its task of providing advice.

'Positions' enable the reader to gain insight into topics of importance for the ACA. The 'positions' point to focal themes and fields of action that are basically not new but are substantiated by concrete audits. As such, they reveal the potential to counteract adverse developments.

The position paper on administrative reform has been an illustrative example of the value and benefits of these 'positions'. Having struck a significant chord with the public, it prompted a broad public debate and was the subject of comprehensive discussions in parliament. Eventually, the recommendations of the ACA drawn from this position were integrated in the government programme of the Federal Government.

In addition to the positions on administrative reform, the ACA also provides information on the results of the UN/INTOSAI Symposia; and on current developments of government audit in the EU, such as on the reform of the EU Financial Regulation and the economic and fiscal governance of the EU.

By publishing these positions on its website, the ACA creates transparency and provides insight into the use of public funds for citizens.

For further information on position papers, please contact 1B3@rechnungshof.gv.at



Bulgaria: Bulgarian National Audit Office

Partnership with civil society to improve accountability of political party funds.

Financial control over the budgets of political parties and their management of state property is assigned to the Bulgarian National Audit Office (BNAO).

In 2014 the BNAO and four NGOs – Transparency International, Institute for Public Environment Development, Civil Initiative for Free and Democratic Elections (GISDI) and the Bulgarian Association for Fair Elections and Civil Rights – National Association signed a memorandum of partnership. The event was part of the preparatory work of the office in relation to the upcoming parliamentary elections.

The aim of the memorandum is to improve the transparency and visibility of the financing of election campaigns. It also aims to improve civilian control and to create conditions for better implementation of the powers of the BNAO as a supervisory authority under the Election Code. Traditionally, NGOs scrutinised the electoral process through different forms of observation. However, expert auditors and NGOs identified negative practices and trends in funding through the exchange of information and expert assistance.

Various forms of cooperation were applied, these included:

- participation in public events in relation to the electoral process (joint conferences, roundtables, forums, etc.);
- provision by NGOs of information about negative practices and risks associated with the transparent and legitimate funding and reporting of the election campaign;
- classification of the BNAO functions and powers under the Election Code, and the results of audits and inspections in accordance with the legal requirements and restrictions;
- exchange of expertise;
- dissemination and exchange of information relating to the electoral process; and
- developing joint documents including proposals for changes in the Election Code.

For further information, please contact intrel@bulnao.government.bg

European Court of Auditors



EUROPEAN
COURT
OF AUDITORS

What is responsive web design?

Internet users are now mobile. Tablets and smartphones are ever more used to consult websites. Before the introduction of responsive design techniques, the challenge in web development was to build applications and sites specific for each device, for example desktops, smartphones and tablets. That makes maintenance of the site difficult and time- and budget-consuming to comply with all the specificities of the various devices.

Responsive design is a solution to that problem. It involves a set of techniques that result in having only one version of the site to manage, which dynamically adapts depending on the device.



Responsive web design @ ECA

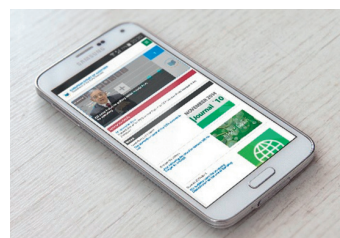
Depending on the device used to access our site, the pages will change. Instead of displaying the full three columns, only two will be displayed for some devices, or just one for small devices. The images and content column will shrink. The content will be automatically optimised depending on the device with no intervention from the user.

Maximising and facilitating the use of the European Court of Auditors (ECA) internet site on all types of devices will become increasingly important as we move further towards web-based publishing. It is essential to adapt to the fast-moving ways that the online world is developing, and make access to our work as easy and attractive as possible.

For further information on responsive web design, please contact David Mahieu on david.mahieu@eca.europa.eu

Drafting assistance – a new tool for improving the quality of the ECA's products

The ECA is a multi-lingual organisation. It has 900 members of staff who come from all the 28 Member States. Their mother tongues are the 24 official languages of the EU but they all draft their reports in English. Unlike most other SAIs, the ECA has to cope with this multi-lingualism on a daily basis. Take a team consisting of Finnish, Bulgarian and Maltese auditors who go to audit a project in Romania and use English to communicate and, later on, to draft the report. This will obviously add even more complications, in terms of the languages used, to an already complex process.



This is where drafting assistance comes in and it concerns documents drafted by non-native speakers. In practice, as the proportion of native English speakers is low, this applies to the majority of the documents produced at the ECA. Drafting assistance means a translator from the English unit is appointed to the audit team and stays with it through all the stages of the drafting process. Translators attend drafting meetings between different ECA units to provide advice on points of usage. They work to find formulations which precisely express the message intended by the auditors, and which provide an effective compromise between differing viewpoints within the audit team. Where more thorough attention is needed, translators take draft versions of reports away for complete revision.

This kind of close cooperation between linguists and auditors marks a paradigm shift at the ECA. Support services such as translation are being integrated more and more into the audit process. Unlike other organisations, where divisions between departments and functions are rigid, the ECA's staff approach each other directly. The result of this close communication is a better product for the ECA. On the one hand, thanks to the advice given by translators, the reports convey the intended message, and on the other hand the risks of misinterpretation are minimised.

Drafting assistance has more than one advantage. First and most importantly, it ensures that reports are written in plain and reader-friendly language which conveys the ECA's message clearly to its stakeholders. Secondly, by involving English native speakers from an early stage of the drafting process, the time needed to finalise a document and prepare it for publication can be considerably shortened. Lastly, creating mixed teams of people with different specialisations fosters communication, creates synergies and increases efficiency and productivity. Drafting assistance is thus one of the elements contributing to better quality, streamlined processes and higher efficiency.

For more information on drafting assistance, please contact: Adrian Williams on adrian.williams@eca.europa.eu

ECA landscape reviews

The ECA Strategy for 2013 to 2017 committed the Court to “enhance public accountability and audit arrangements” and “improve financial management and reporting on the implementation and impact of the EU budget”. The traditional range of reports, such as the annual report, special performance audit reports and opinions on specific legislative proposals, left a gap for a higher-level review product dealing with the broader EU developments, risks and challenges for the EU.

These new studies are called ‘landscape reviews’ – a term already in use in other audit institutions – and two areas were identified as a priority in the first two years of the strategy period:

- public accountability and audit arrangements of the EU; and
- risks to EU financial management.

The landscape reviews are based on research, past audit work, and recommendations. Such reports are not based on direct audit work and do not contain the typical conclusions and recommendations of audit reports. They serve to stimulate inter-institutional discussion and stakeholder dialogue, on themes which are relevant to the Court's mission – that of supporting public accountability and carrying out effective public audit.

The first landscape report on EU accountability and audit arrangements was published in October 2014 and was launched at a conference held in Brussels which various EU institution and SAI representatives attended. It was well received and helped bring to the fore a number of important issues, challenges and ideas for how to approach them in the future.

The outcome of this research and dialogue helps ECA contribute to the wider debate on EU developments but also helps the Court to identify, prioritise and plan its audit work more effectively.

For more information on how the ECA has developed the landscape reviews please contact Jacques Sciberras on jacques.sciberras@eca.europa.eu

The European Court of Auditors goes green

In spring 2013 the ECA's Presidency communications team and the publications unit started the challenging task of giving the visual identity of our EU institution a face lift. The objective for the new visual identity was to present the ECA in a modern, dynamic and professional way.

What to do with the logo?

After having considered various alternatives, it was decided to upgrade the original logo. The design was refined and updated, and a horizontal presentation introduced to give the logo a new touch.

The next hurdle was to find a new look and layout for the ECA's various publications. Inspiration was sought from the angles and shapes of the ECA's main buildings. Through the creative process they became the green building blocks that now provide a corporate feel to all our publications and other promotional items. Different publications got their own individual cover design and layout. Icons were created as visual pointers and a colour palette was established on a rolling annual basis to differentiate between publication years.

A new photographic style and a more creative use of graphs complete the look and feel, aiming at raising interest in our work and making our institution more accessible. New letterheads, stationary and type-face complete the harmonised visual identity.

The new look has now been rolled out across all our communication activities. It has been a long but rewarding process, and the results are very tangible and very green.

For more information, please contact Helena Piron Mäki-Korvela on helena.piron@eca.europa.eu



France: Cour des Comptes

ANAFI: providing a common financial analysis and programming support tool to the Regional and Territorial Audit Chambers

The French Court of Accounts has recently adopted a new financial analysis tool called ANAFI for its Regional and Territorial Audit Chambers. ANAFI offers homogeneous financial analysis, common to all the Audit Chambers whether Territorial or Regional. This tool is based on the use of the forecasting and budget execution data of the 160,000 local authorities' core and external budgets. The Public Finances General Directorate (Public Finance Department) sends these data to both the Regional and Territorial Audit Chambers.

The analysis grid reconciles both budgetary and financial approaches. From the available accounts and balances, these grids report on the annual performances, cash flows and regional or territorial balances in a systematic and automated way.

ANAFI also allows for initiating a dialogue with both the authorising officer (local community) and the accounting officer. However, this tool does not replace a proper financial analysis by control teams and, although it allows for a first level of control of the accounts (for example, control of accounting movements), it does not exclude the control of the reliability of accounting data.

ANAFI also includes a risk-based programming support tool that functions by calculating the automated indicators, that is, the ability to generate self-sustainability, politic investment sustainability and population dynamics, and so on. To have a clear vision of the financial health of the local authorities, the ANAFI works in accordance with the national homogeneous methodology.

Finally, ANAFI also allows for the performance of regional prospective financial analysis. This tool allows the organisation to assess the sustainability of the local financial management. It also highlights the relevant conditions which should be met in order to guarantee a path to sustainable local public finances.

For further information please contact
Mrs Patricia Amarger on PAmarger@ccomptes.fr

Supreme Audit Institutions (SAIs) with sanction power and general prosecutor: Knowing each other better in order to share good practices

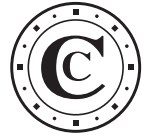
On 11 and 12 September 2014, the seventh meeting of the INTOSAI working group on value and benefits of SAIs was held in Mexico. The group discussed the specific differences among SAIs, in particular the jurisdictional competences and powers to sanction, which are to be found among the Courts, including the French Court of Accounts.

This SAI model remains relatively less well-known. Yet SAIs with their own sanction powers are represented on all four continents. However, they do not have an international tool that would allow a systematic sharing of good practices.

What are the characteristics of this model?

It has an institutional position – which is equidistance between the legislative and executive powers – to preserve the independence of the court. The model is based on the idea of collegial and non-hierarchical decision-making processes with jurisdictional attributions (sanction power) that the SAI can exercise by itself or through a closely associated Court such as the Budget and Finance Disciplinary Court in France. Additionally, most SAIs have a General Prosecutor's Office headed by a public officer of the highest level in the SAI.

Cour des comptes
FRANCE



SAls with the powers to issue sanctions and jurisdictional attributions are able to carry out a wide range of audits, including management and performance audits, financial audits of State accounts as well as evaluations of public policies.

At the INTOSAI working group on value and benefits meeting in Mexico, following a proposal from the French Cour des Comptes and the Chilean Contraloría General de la República, a decision was made to create an informal group of SAls working to the Court model on proposal from.

The groups will be known as the Jurisdictional Forum of SAls and General Prosecutors Network. Italy, Portugal and Spain have already expressed interest in this approach.

The final objective of the network is to provide a forum beyond the French-speaking field so that SAls working in similar ways on similar issues can be encouraged to share experiences and good practices, and to professionalise the approaches to this style of audit.

The ambition is to demonstrate within EUROSAI and INTOSAI how in practice SAls, as both judges and auditors, can directly sanction irregular actions.

For further information, please contact François Kruger and Gilles Miller on fkruger@ccomptes.fr and gmliller@ccomptes.fr



Georgia: State Audit Office of Georgia

Building a more receptive and responsive State Audit Office in Georgia

As a young and independent SAI, the State Audit Office of Georgia (SAOG) strives to build a culture of innovation through cultivating a new system which is based on transparency and accountability. The SAOG has introduced different innovative approaches directed to its major stakeholders. The introduction of systematic building has shown the importance of proper and timely communication with stakeholders; especially when the importance of modern audit approaches was not properly acknowledged by parliament and society.

The SAOG introduced a new web tool – a system for the follow-up of recommendations. Its aim is to bring beneficial changes and to meet the needs of stakeholders and communicate audit results objectively and rigorously. This tool helps to increase the impact of modern audit in Georgia, which is focused on improvement rather than registering irregularities across the public sector.

This follow-up system enables public sector entities and especially parliament to gather relevant information online on the performance status of recommendations and related issues in the most effective and transparent manner. Furthermore, two new web portals were created to strengthen the bridge between innovative approaches and accountability.

- 1 First portal – ‘Plan with Us’ aims to engage civil society in audit planning by offering suggestions, comments and complaints.
- 2 Second web-based tool allows citizens to report allegations of fraud, abuse, waste and mismanagement of public funds.

These web pages create a stimulus for increased interactivity between society and the SAOG.

In recognition of the importance of dialogue with citizens, the SAOG took an important step and strengthened its ties with civil society. In addition to using these audit planning tools, individuals, NGOs and academics are given the opportunity to submit their work, proposals or ideas regarding cost-saving approaches, best practices in programme management or evaluation, improving performance issues in government agencies, or ways to strengthen the legislation environment to the SAOG. After the evaluation of the proposals, the best ones are taken into account in the selection of audit topics and in audit processes.

In these ways, the SAOG is an active participant in the process of developing transparency and accountability in the sphere of public finances. It expresses its readiness to cooperate with civil society in its day-to-day activities and is seeking to use modern effective tools for increasing the awareness and engagement of the general public.

For further information please contact Ms Mariam Khergiani on mkhergiani@sao.ge

Germany: Bundesrechnungshof

Bundesrechnungshof (SAI Germany)

Real-time audits

The German SAI also has an advisory role. Real-time audits monitor government programmes across all sub-decisions from programme start-up to programme conclusion. Their purpose is to provide professional advice to stakeholders, and to monitor the success of projects and programmes instead of merely pointing up shortcomings after the facts. Therefore, real-time audits should start as early as possible, ideally before expenditures have even been incurred. The German SAI's audit teams step in after the first administrative decision has been made. Their aim is to detect and address faulty decisions at the earliest possible stage; to inform and advise governmental decision-makers well in time for change.

Real-time audits provide suggestions for major projects ranging over:

- infrastructure investments;
- defence procurements;
- IT projects;
- programmes designed to stimulate the economy;
- programmes in the field of financial market stabilisation, or
- educational programmes.

This type of audit work is a challenge for any auditor. Auditors have to familiarise themselves with demanding and complex issues. They have to select adequate audit methods. They need to work effectively and to tight schedules, in audit teams with various professional backgrounds.

Real-time audits offer a lot of benefits. They

- expand the leeway for action of the external audit body;
- serve to actively support parliament in its control over the budget;
- help to support the executive branch in decision-making that has a bearing on the budget;
- ensure that earlier audit findings and lessons learned are incorporated into a cross-cutting and pro-active approach;
- provide more options to prevent poor decision-making and mismanagement; and
- help enhance external audit impact.

There are, of course, some risks to counter. For example, auditors must be careful to base their audit work solely on decisions available at the time of auditing. SAIs also need to ensure that they do not act as a co-decision maker, and do not impair independent ex-post audit.

Taking this into account, real-time audits are a valuable instrument to enhance the SAI's impact by seeking to provide good value for money. They help ensure that policymakers can use and build on lessons learned from audit work. Furthermore, real-time audits are an ideal tool to meet the information requirements of parliament, government and the public. Finally, such audits are a good remedy against the prejudice that SAIs only step in when the money has already been wasted. Thus, they help strengthen the standing and reputation of external audit.

For more information on this matter please contact international@brh.bund.de

Hungary: State Audit Office of Hungary

Monitoring budget planning – methods and innovations

The financial crisis has drawn attention to the importance of monitoring budget planning. Greater emphasis has been placed on applying numerical fiscal rules and strengthening the institutional framework guarding sustainable public finances. In 2011, the rules of the European Union were introduced to take into account the changes in the fiscal environment.

The State Audit Office of Hungary (SAO) is one of the few SAIs in Europe that has been dealing with the task to give a preliminary opinion on the budget bill. Giving a preliminary opinion on the budget bill is not a traditional task for a Supreme Audit Institution – it is rather an advisory activity. As an adviser to the parliament, the SAO's main task is to identify risks in budgetary planning, point out possible deficiencies and examine the legal background to support legislative processes.

According to a survey conducted by the SAO in 2012, the SAIs of Slovakia and Lithuania issue opinions on the draft budget, similar to the Hungarian SAO. The German SAI provides professional support in the budgetary planning process (an advisory function). The Czech SAI issues opinions on the quarterly reports of government on budget implementation. The Italian SAI prepares a report every four months on the provisions of approved public expenditure, in which it publishes the findings, the methods used and the substantiation of budgeted expenditure.

The role of SAO Hungary in monitoring budget planning

Annually, the SAO publishes its opinion on the bill on Hungary's annual central budget before the parliamentary debate starts. This is based on the results of its audit-related activities.

The objectives of the audit are determined on the basis of the requirements established in the relevant law. This also takes into account the actual environment of economic policy (government decisions) and the changes in the structure of the budget or the changes in legislation relevant to budget planning.

“The task of the SAO, as stipulated by law, is to audit the financial management of public finances, including the substantiation of the state budget proposal (supplementary budget proposal) and the feasibility of revenue appropriations.”

In its audit, the SAO assesses compliance (regularity) of the planning of budgetary appropriations of the draft Act on the Central Budget, their substantiation and expected realisation, the appropriateness of justifications and the completion of related tasks. In its opinion, the SAO also presents its view on compliance with the public debt rule; and on whether the statutory requirements for adopting the bill have been met.

“Hungary has a public debt rule, created by the Fundamental Law and the Stability Act, setting the gross government debt-to-GDP ratio. Legislation entitles the Fiscal Council to safeguard the observance of the public debt rule. The Fiscal Council, created in 2008 to promote discipline, transparency and long-term sustainability of fiscal policy, and to strengthen the economic stability of Hungary, is a body assisting in the preparation of the Act on the Central Budget and supporting the activity of the Parliament. Members of the Fiscal Council in Hungary are the Chairman (appointed for six years by the Head of State), the President of the Central Bank of Hungary and the President of the SAO of Hungary.”



STATE AUDIT
OFFICE OF HUNGARY

SAO assistance to the Fiscal Council

Within its competence, the SAO may prepare analyses and studies to assist the Fiscal Council in the performance of its tasks. The task of issuing an opinion on the budget bill and tasks related to the President's membership in the Fiscal Council, are two distinct tasks of the SAO. These are governed by two distinct methodologies, but are closely interrelated at the same time, utilising experience gained in each.

Segregation of duties

It is important to note that within the Fiscal Council, the President of the SAO takes decisions individually and not on behalf of the SAO. The Fiscal Council has a limited number of staff of its own. When performing analyses and giving an opinion, it therefore relies on the experts of the National Bank of Hungary and the SAO. The establishment and operation of the Fiscal Council does not have an impact nor does it replace the mandate and tasks of the SAO. The opinion expressed or decision taken by any person acting as a member of the Fiscal Council is not binding for the President of SAO or the President of the National Bank of Hungary when performing their tasks.

In parallel to the audit carried out, the SAO forms its own official opinion on the annual central budget. Another team of the SAO prepares the first analysis on the basis of the provisions of the Stability Act, to support the Fiscal Council's work. In its first analysis, the SAO formulates views on the draft bill, the annual central budget, the techniques used and processes to calculate the value of the public debt indicator and its substantiation.

Following the publication of its own opinion, the SAO continuously monitors the debate of the budget bill, and prepares a second analysis for the Fiscal Council. It assesses the draft of the budget bill, addressing the enforcement of the public debt rule and the expected realisation of budgetary revenues and expenses in the year. The second analysis takes into consideration the amendments to the draft bill made since the issuing of the first analysis, addressing the possible remaining risks. The aim of the second analysis is to support the preparation of the decision of the Fiscal Council on whether to give its prior consent to parliament's adoption of the budget bill.

The role of the Fiscal Council

The Fiscal Council gives its opinion on the draft Act on the Central Budget, as well as on issues related to the planning and implementation of the budget; and the utilisation of public funds. As stipulated by law, Parliament debates the draft Act on the Central Budget together with the opinions of the SAO and the Fiscal Council.

“The final vote of the Parliament on the bill on Hungary's central budget may take place only following the consent of the Fiscal Council.”

As of 2012, the Fiscal Council has veto rights in connection with the drafting of the Act on the Central Budget. Of course, it would not be reasonable to jeopardise the closure of the budgeting process by a possible veto by the Fiscal Council. In order to avoid that, the Stability Act contains detailed provisions regarding the processes to be followed by the Fiscal Council when exercising its right to give an opinion in the earlier stages of the preparation of the budget bill.

For more information on this matter please contact Peter Danko on international@asz.hu

Israel: Office of the State Comptroller and Ombudsman

Israel's state comptroller: on the cutting edge of political financing audit

It is a well-known fact that the lifeblood of democracy, for better or for worse, is money. No political party can get its message out without it, no political candidate can get himself or herself known by the electorate without it. The basic need for monetary resources within the political sphere is fraught with danger, as some politicians may find themselves so strapped for cash that they may become subject to pressure by those who give or promise them monetary support. Money, in short, has the potential to corrupt politicians, generate conflicts of interest and cause immense injury to the public interest in general.

In Israel, steps were taken to try to curb the potential for corruption and conflict of interest. Legislation was passed whereby the bulk of the financing of political parties vying in parliamentary elections came from the public treasury, so as to minimise their need for private monies. Likewise, for those running for local government. Conversely, political parties were prohibited from getting contributions from corporations or from anyone other than individuals with the right to vote in elections. Additionally, very low limits were set (a few thousand shekels) on the amount which individual households were allowed to contribute. In order to ensure a level playing field, ceilings were set both for the total amount of private contributions a political party or list could receive and for the total amount of election expenditures they could spend. When political parties began to hold primary elections to decide who would be their candidates for parliamentary elections limits were set with regard to their contributions and expenditure. However, the primary candidates do not receive public funding.

The legislature tasked the state comptroller with oversight of the political financing rules in order to ensure compliance. A special auditing unit was set up to fill this important role, which is comprised of professionals in the areas of accounting, finance and law. Each of the relevant political actors – from political party to municipal list to primary candidate – must report to the state comptroller all of their contributions, loans and expenses and furnish the political financing audit unit with all relevant documentation. The state comptroller publishes audit reports after each and every election, as well as following the receipt of the reports concerning the ongoing expenses of Knesset factions after each fiscal year. Political actors who do not abide by the laws or by the rules set by the state comptroller pay substantial fines to the public treasury. In extreme cases, they may also face criminal penalties.

Legal and public norms in this important sphere are set out and developed within the reports issued by the state comptroller. These serve to instruct politicians new and old as to how they are to conduct themselves, as well as providing an important part of the infrastructure within which Israel's political parties and lists compete for the hearts – and votes – of the electorate.



**משרד מבקר המדינה
ונציב תלונות הציבור**

In order to enhance the effectiveness of the audit, the political financing audit unit took upon itself an extremely bold and far-reaching undertaking. It developed a comprehensive computerised infrastructure which included both the reporting by the political actors themselves and the subsequent auditing of those reports by accountants and auditors. Much painstaking work was invested to create and delineate the proper categories and typologies of income and expenditures, in accordance with the relevant legal norms and principles. Then, the system had to be set up in a way that would be user-friendly for all the different users – from politicians and treasurers to accountants, bookkeepers and auditors. Finally, the system had to be multi-functional and tailored to achieve its various purposes, culminating in the production – via the system itself – of distinct reports, including all the specific findings concerning each and every political actor.

This new system was used for the first time during the municipal elections held in Israel in November 2013. Approximately 1,500 local lists running for office, using codes received from the State Comptroller's Office, reported via the computerised reporting system every contribution received and expense paid – all in real-time. The contributors' details and amount of contributions were reported online on the state comptroller's website for all citizens to see. After the elections, the final financial report of each list was produced via the system, using the data entered and submitted to the state comptroller, along with all relevant documentation.

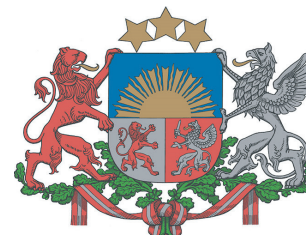
The next stage is the audit. Accountants and auditors compared the data that had been entered online during the election campaign with the final report submitted and with the underlying documentation. Discrepancies and findings were then entered into the computerised system, and notices were produced via the system and sent to each political list, detailing the preliminary findings of the audit and requesting their response in specific matters. Later, findings could be corrected in accordance with the responses and documents received. The final report regarding each list was produced via the computerised system, including all the necessary text for publication and all the specific findings relevant to that list, as well as any monetary fines laid due to the list's misconduct.

The success of the audit of the municipal elections has emboldened the political financing audit unit, which began working towards adapting the system to the specific norms relevant for audit of primary elections and for parliamentary elections. In fact, during the present election season, both primary candidates and the political parties themselves began reporting contributions and expenditures via the computerised system.

This is just another example of how the state comptroller of Israel is making use of new technologies and new systems in order to develop better tools for conducting the state audit and for bringing its findings, in a timely and efficient manner, to the attention of the Israeli public.

For further information, please contact Dr Isaac Becker on itz_beck@mevaker.gov.il

Latvia: State Audit Office



New public relations initiatives: video blogs, illustrative pictures, and popular TV news moderator.

The State Audit Office of Latvia (SAO) has launched three new public relations initiatives this year. The first is a video blog on our YouTube channel. The purpose of this blog is to inform society about the findings revealed during the audits of the SAO. Through this blog, the main conclusions are circulated in a professional news format at the same time as publication of the audit report. The video is created in cooperation with multimedia students from the leading Latvian university. Such a collaboration helps to avoid 'audit speak' and makes the reports comprehensible for broad audiences. In the video, the story of the audit is told in a dramatic style. It highlights the main issues in the audit, provides detailed background information, and says what is going to happen with the audit. It is not only an official's speech but dynamic, using modern montage, shots from the audits and comments from the public.

During an audit, auditors are encouraged to record the main issues they plan to reveal and look for ways to illustrate potential results, both in photo and video format. This helps in the completion of the video. This innovation is accepted by the SAO employees with enthusiasm – they gladly generate ideas and make further proposals.

Distribution of the video takes place using a range of pathways. The videos are uploaded on YouTube. The hyperlink is shared among the biggest Latvian media, as well as with local governments and non-governmental organisations that were involved in the audit. The video is also available on the SAO's [homepage](#) and is posted to the most popular social networks in Latvia, including Twitter, which is used by 90% of Latvian politicians, media people and leading authorities.

Illustration is another form of public relations innovation used to promote the SAO's audit findings. The Latvian media illustrators and infographic designers strive to present the complicated audit reports as comic strips or works of art. For example, they have illustrated the work of the SAO with a poster created by the recognised Latvian artist Ernests Kļaviņš and used during the recent Contact Committee meeting in Luxembourg.

The third new part of the public relations strategy is the recruitment of Mrs Ilva Liepiņa-Milzarāja, a TV news moderator from the state news channel in Latvia. She is highly regarded by the public and using her to anchor presentations of the SAO's audit results and opinions increases the credibility of our work and helps us receive high levels of approval by the public.

Communicating in these ways fully justifies itself as formerly complicated reports can now be accessed and understood by citizens without prior or specialised knowledge.

Looking to the future, we expect that these forms of communication will help to promote more prudent and effective handling of taxpayers' money. None of the officials or politicians like to be under the spotlight of a video story which is widely shared on social networks – especially when they are depicted as money wasters or unskilled managers, and even more so if the story is told by a popular TV personality.

For further information please contact Ms Marija Sološenko on Marija.Solosenko@lvk.gov.lv.



Lithuania: National Audit Office of Lithuania

IT strategy aligned with COBIT

The National Audit Office of Lithuania (NAOL) is enhancing its office performance by introducing new standards, approaches and practices in its daily operations. One of the latest examples of this is the IT strategy adopted by the NAOL for 2015–2020. In line with the work of the EUROSAI IT working group and 'IT self-assessment' tool launched in 2003, the development of the NAOL's IT strategy was supported by ISACA COBIT methodology, and each level of the specific goals cascade of the IT strategy was shadowed by the corresponding levels of COBIT-generic goals cascade. This helped ensure the alignment of: business goals, contained in the NAOL's Public Audit Strategy; the IT goals; and relevant metrics at each stage of the cascade.

Aligning with the COBIT cascade helped us to adjust the lower goals, of the cascade – down to process activity goals which together with corresponding metrics are essential for annual implementation plans for the IT strategy.

Need for IT strategy

The NAOL was one of the advocates that IT strategic planning should become a norm in the public sector. Having applied IT strategic planning since 2002, the NAOL was aware of the value it can bring for the office.

In 2006–07, when the NAOL started executing its first IT performance audits at the state level, the recommendations issued in these audits were aimed at strengthening the design and performance of IT functions not only at institutional levels, but also at the national level. Following the recommendations, the national

Law on Management of State Information Resources was adopted, setting IT planning as a legal requirement for public institutions that are in charge of the governance and management of the key national information resources.

Leading by example, the NAOL decided to prepare its own IT strategy even though this was not required by the Law. In addition to the main internal objective of the NAOL – to keep constantly improving internal processes – two external objectives are also important:

- 1 to be among the leaders of public administration institutions, demonstrating to auditees that the modern methods and practices the NAOL recommends are real; and
- 2 to encourage auditees to be actively looking for possibilities to improve their own performance.

For further information on IT strategy aligned with COBIT, please contact Dainius Jakimavičius on dainius.jakimavicius@vkontrolė.lt

Norway: Office of the Auditor General of Norway (OAGN)



New audit management system

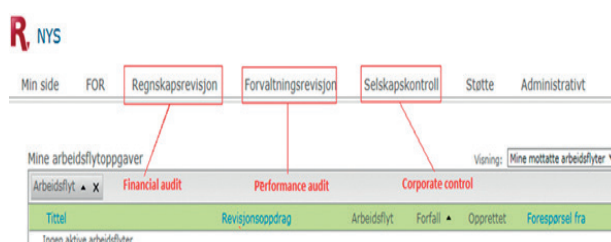
In 2012 the Office of the Auditor General of Norway (OAGN) ended a four-year journey of developing a new Audit Management System (AMS). The system is based on a Microsoft SharePoint 2010 platform, which was implemented in the organisation the same year. The purpose of the AMS was to create a system that would increase efficiency in the audit work by:

- supporting all audit types in OAGN (financial audit, performance audit and corporate control) in the AMS;
- being flexible to changes in audit methodology; and
- improving document management and information-sharing of the audits.

Enforcing knowledge-sharing and learning

The OAGN has defined some values that apply to the whole organisation: the organisation (and the auditors) should enforce team spirit, openness and respect, and be objective, independent and competent throughout their audits. The new AMS enforces these values by opening up the audit documentation for all audit types during and after the audits are completed. Once the document is created in the AMS, it is open for everybody to read. This openness in the audit work in the AMS is breaking the barriers between the audit types, and enforcing greater information- and knowledge-sharing and learning between the audits.

Audit documentation and information related to any audit type is just one click away, at any time:



Other key benefits of the new AMS

In addition to being an AMS for all audit types and improving information-sharing, the AMS provides:

- improved search and document management of the audits through the use of metadata;
- integration with OAGN's archive system (based on Public 360);
- the possibility to work offline with checked-out documents;
- workflow capabilities for review and approval of documents;
- unified templates for all audit types;
- templates that help ensure the audits are ISSAI-compliant; and
- document management features that reduce the amount of duplicated files.

For more information on the AMS in OAGN, please contact Thomas Rognes on Thomas.rognes@riksrevisjonen.no.



Portugal: Tribunal de Contas

Electronic submission of public accounts

Since 2008, the Tribunal de Contas (Court) has been implementing an electronic platform aiming, from 2015 onwards, at being the sole means through which some 7,500 audit entities, including public enterprises, can submit their annual accounts to the Court.

The main purpose of this initiative was to increase the transparency of the process of submitting public accounts and to allow our SAI to have maximum and immediate access to financial information.

This innovative process started with the electronic submission of accounts by central, regional and local public administrative entities. It went further with the incorporation into the system, in 2010, of embassies and consulates and, in 2012, of administrative (autonomous) public sector institutions. In 2014 it reached public business sector entities' accounts from the local sector.

Our planning and execution of financial audits, internal checks of financial statements (*verificação interna de contas*) and, ultimately, the enforcement process of liability for financial infractions (the Court's jurisdictional function) already benefited from the increased accuracy and timely delivery of financial information through the above-mentioned electronic platform. While previously the public accounts were submitted before the Court with the same layout, the information now received is easier to store, more harmonised and standardised, and is of a higher quality. Since 2008, the volume and the timeliness of information has been increased and entities and/or subject areas under our SAI's financial control are now assessed with the help of the platform and quickly listed according to their risk level.

All in all, the control activities of the Court have been substantially strengthened. It now has an instrument that improves the **quality** of the financial information available, that is, the quality of the Court's control both in planning and auditing. It allows our SAI to better influence auditees' awareness of the current and future financial and economic consequences of present-day decisions. It also promotes greater awareness of the liability in the public sector finances, while better controlling the process of submitting public accounts.

For further information, on the electronic platform for submitting public accounts please contact JoaoCardoso@tcontas.pt; JuliaSerrano@tcontas.pt

Good governance of public sector enterprises (PSE) – audit report n° 8/2011¹

In 2011, the Court conducted an audit examining governance in public sector enterprises.

This audit sought to:

- compare the internal audit (IA) function in public sector enterprises against international best practices;
- determine the influence of governance models, namely the existence of an IA Commission in the audited enterprises; and
- evaluate the role of the IA function in public enterprises' governance structures, in particular its relations with Audit Commissions.

¹ See abstract of Audit Report n.º 8/2011, in English, at: http://www.tcontas.pt/en/reports/audit_report_08-2011-2s_abstract.pdf

The audit highlighted the existence of performance deficiencies in the IA function of several public companies and the need to update legislation. We also indicated to the Institute of Internal Auditors the need for a clearer prioritisation in the use of Internal Audit to improve management processes. Since IA was limited to a mere supervision of internal control systems, it did not comply with international best practices.

Following the audit, the principles **of good governance** applicable to state-owned enterprises began to be integrated in a legal diploma (Decree Law 133/2013, of 3 October) laying down the principles and rules applicable to the public sector enterprises.

In addition, the audit also recommended that the government, as the supervising entity/shareholder:

- promulgate and publicise, particularly on the Internet, a guide on good practices;
- advise entities about IA functions and principles of good governance;
- improve the role and contribution of Internal Audit in governance systems; and
- aggregate the standards and principles issued by the Institute of Internal Auditors and already enshrined in national legislation.

The Court also recommended to the companies' boards of directors the reviving of the IA function and provision of the necessary skills for it to play a significant role in evaluating the effectiveness of risk management and of control and governance.

As a result, in 2014, the Board issued a Code of Corporate Governance. Hence, all entities belonging to the public enterprises sector have now a **benchmark** of good governance, regardless of the scope of article 229 of CMVM.²

This was an **innovative approach** adopted by our SAI since among those consulted prior to the audit and having similar control functions on public sector enterprises only a few of them had addressed this issue by the time. Additionally, this audit provided, through a cross-sectional evaluation of the 'internal audit' function in public sector enterprises, information and guidance in order to appraise the government of the effectiveness of internal controls in that sector.

For further information, please contact Mr Antonio Garcia on AntonioGarcia@tcontas.pt

² CMVM – The Portuguese Securities Market Commission.



Romania: Romanian Court of Accounts (RCoA)

Using Information Technology better

1 An online helpdesk application

In order to improve the efficiency of the Romanian Court of Accounts (Court)'s activities, the IT department has implemented an online tool to solve all requests coming from the auditors. This includes problems encountered by auditors while using the IT applications or IT equipment. With this new tool, the requests are registered online and directed to the IT department to be prioritised and solved as soon as possible. The time saved this way is now used in audit activities.

The purpose of the helpdesk application is to quickly solve the complaints encountered in the operating system of the Court. This includes the existing software installed on both personal computers and servers located in the central structure or in the 42 county offices.

With the introduction of this application, the length and the number of phone calls and the cost of communication to the IT department has been significantly reduced. The complaints received this way by the IT experts are solved promptly with minimum costs. Moreover, the application offers to all of the Court's IT system users the possibility to view the database containing all solved complaints. It uses this system, if similar cases are encountered, to avoid the registration of new tickets on an already solved topic.

2 Access to the database containing the Court's reports on local public finance

The need to enhance the transparency and accountability of the Court has led to a greater openness to the public and civil society. Each year the reports on the public finance of the local administrations, which are issued by all 42 county offices, are published on the Court's website. These reports represent a synthesis of all audit missions and thematic controls carried out at the local public administration level. They include:

- information on the budget implementation at the local public administration level;
- information on the types of audit missions and thematic controls carried out and the types of documents issued; and
- the objectives and main findings resulting from the audit missions and thematic controls.

Those who have access to this database include: the management of the controlled and audited entities; stakeholders; the mass media; and citizens.

Since the launch of this database, the Court has received a great amount of feedback confirming the fact that these reports are considered useful by the public and civil society.

For further information please contact Mr Cornel Constantinescu and Mrs Roxana Şeitan on cornel.constantinescu@rcc.ro and roxana.seitan@rcc.ro

Maximising the impact of the INTOSAI's Journal

As part of its institutional transparency policy, the Romanian Court of Accounts (Court) issues its own half-yearly specialty publication, the *Romanian Court of Accounts Journal*. The Journal is a core part of the Court's communication strategy and is distributed to all the Court's stakeholders – including staff, parliament and government.

As a member of INTOSAI and EUROSAI, the Court makes the Journal available in both English and Romanian so that it can have a wider readership and disseminates the report via printed and website versions.

Besides the specialty articles written by the Court's auditors, from both the central and territorial offices, we take the opportunity to use the Journal to publicise the *INTOSAI Journal*. Thus, in every issue of our Journal, special space is dedicated to a synthesis of the most recent issue covered in the INTOSAI journals.

For further information on RCoA's journal, please contact Mrs Doina Draniceanu on doina.draniceanu@rcc.ro

Auditee feedback on auditor independence and impartiality

The INTOSAI Code of Ethics (ISSAI 30) states that the conduct of auditors should be beyond reproach in all circumstances.

Any deficiency in their professional conduct or any improper conduct in their personal life places the integrity of auditors, the SAI that they represent, and the quality and validity of their audit work in an unfavourable light and may raise doubts about the reliability and competence of the SAI itself. Also, the ISSAI 30 recommends that it is essential for the auditors to be independent and impartial not only in fact but also in appearance.

In such conditions, feedback from the audited entities on these issues can help the Romanian Court of Audit (Court) improve the fairness and impartiality of its work. We consider that efficient and constructive feedback from the audited entities regarding the independence and impartiality of the auditing teams is very important for the SAI.

To gain this feedback, the Court has developed a questionnaire that is sent to all auditees shortly after the audits are finished. The process is managed by the Court's Ethics Committee, who produce a biannual report summarising the key comments and findings. Based on this work, the Court can identify areas in which the management must act.

The structure of the questionnaire

The questionnaire is short and contains only 12 questions. The first nine refer to professional, ethical and integrity issues and are scored on a five-point scale. Questions 10 and 11 provide scope for the auditee to record any general comments and/or examples of specific unethical conduct

or behaviour on behalf of the auditor's, for example, possible conflicts of interest. The last question gives the entities the opportunity to rate their overall relations with the Court.

Conclusions

In October 2014 the Court's Plenum analysed the Ethics Committee's first half-year report.

In the first semester, the Court RCoA received responses from 547 audited entities, a response rate of 41% and encouraging for a non-mandatory survey. Overall, the results were very positive with more than 90% of respondents indicating that they considered their relations with the Court good or very good. However, while the responses revealed no cases of conflicts of interest they did throw up some examples of unethical conduct or behaviour of the auditors during the audit missions, such as a lack of objectivity and impartiality, intimidation or harassment attempts, and so on.

The Court is taking the responses very seriously and has agreed that:

- in forthcoming monthly departmental or Chamber meetings directors will discuss the report with auditors;
- in future training seminars on ethics and integrity the Ethics Committee will present the findings, comments and criticisms from the report; and
- the Court's Audit Work Quality Control Unit will study the report and use its findings and conclusions, especially the comments regarding the professional conduct of the auditors.

For further information on the new instrument designed to measure the perceptions of the audited entities on the auditors' independence and impartiality, please contact: Mr Corneliu Cornea on corneliu.cornea@rcc.ro

Monthly journal on international activity

The International Relations Unit of the Romanian Court of Accounts (Court) publishes a monthly Journal on the international activity of the institution.

The aim of this Journal is to disseminate the results, outputs and impacts of international activities carried out by the Court. This includes its work in the committees, sub-committees and working groups of INTOSAI and EUROSAI, its engagement with the Contact Committee of the Supreme Audit Institutions of the European Union and AISCCUF (the Association of SAIs having in common the use of the French language).

Particular emphasis is placed on the presentation of the visits of Supreme Audit Institutions' presidents. This also includes visits to the Court by ambassadors accredited to Romania and other personalities as well as visits by the Court's president to other SAIs. It highlights progress in the collaboration between the Romanian Court of Accounts and other international financial institutions, such as the International Monetary Fund and the World Bank.

The first issue of this journal was released in 2009, and currently it has reached its 58th issue. The journal is distributed in paper form to the management of the Court and electronically to the staff, by email. It is also posted on the institution's internal portal, for consultation purposes. Periodically, the journal features information about the adoption of Audit Standards, international news related to audit activity, data concerning the editorial issue of employees' articles and other relevant aspects.

In 2014 the journal had an anniversary edition celebrating the Court's 150 years and containing information of significant events in the life of the Court.

For further information on the *International Journal*, please contact Mr Dragos Budulac on dragos.budulac@rcc.ro



Spain: Tribunal de Cuentas

Telematic processing and digitalisation of procurement information.

Spanish legislation requires that all entities within the public sector submit to the Court of Auditors the main data of all contracts awarded and, for those that exceed certain amounts, some of the documents comprising in the tender dossier.

To facilitate this task, the Court of Auditors has implemented a web portal that enables telematic submission of all the information. The first step introduced accountability in the state-owned enterprises field and, at present, work is being carried out in order for it to comprise all entities. This does not only include the state public sector but also the regional public sector.

The digitalised documentation and its submission in a standardised format significantly increases its exploitation possibilities. It enables a more effective control of compliance with legal obligations, a quick access to classified records and the determination of potential risk areas that require audit analysis. In addition, it facilitates obtaining a global vision of the public procurement activity, both by activity areas and specific sectors. This telematic solution has been welcomed by those who must submit the information. They see their task is simplified and the processes of transferring information have notably been speeded up.

For more information contact Ms Maria Eugenia de la Fuente Asprón on eugenia.fuente@tcu.es



SWEDISH NATIONAL
AUDIT OFFICE

Sweden: Riksrevisionen – Swedish National Audit Office

Seminars on change and central government governance

In 2014-15 the Swedish National Audit Office initiated a series of seminars on the theme of “Change and central government governance”. The participants are experienced professionals from both financial and performance audit. The Academy of Public Administration at Södertörn University is responsible for the programme, which is led by researchers from various public administration research environments in Sweden, along with practitioners from public administration.

The purpose of the seminars is for the auditors to gain a deeper understanding of the Swedish administrative model and administrative policy development. The seminars include perspectives on ongoing changes that characterise both central government and organisations within it. Various aspects of central government governance are dealt with, and a particular focus is given on administrative ideas and models for governance and accounting. In this context, the government offices’ function and decision-making processes are also discussed. The problems and opportunities in the central government are also covered with regards to systematic audit and control. Furthermore, the participants discuss different perspectives on what constitutes good administrative culture, a public ethos and the challenges facing a civil servant.

The programme includes nine seminars as well as literature studies and self-study. The participants conclude by writing and presenting a short essay within the overall theme. After completing the programme successfully, they will receive 7.5 higher education credits.

If you have any questions, please contact int@riksrevisionen.se

United Kingdom: National Audit Office

Contribution to the EUROSAI report on data-analytics

The UK National Audit Office uses a range of data and evidence as part of our assurance work. The bodies that we audit are generating a wider range of data, and starting to use it in more sophisticated ways.

It is important that we ensure we have the credibility and understanding to audit effectively the government's use of data and analysis, so that we can get greater insight and efficiency in how we conduct our assurance work.

We have a well-established professional network of analysis specialists. We have focused over the past 12 months on raising our capability in data-analytics. This group has focused on four crucial areas to generate greater insights and drive down costs.

- 1 Developing a data service which will hold in one server all data on the bodies we audit. This will allow the data to be cleaned and processed just once, leading to greater efficiency, and linked together to provide new datasets for more sophisticated insight.
- 2 Using data-analytics techniques to bear down on the costs involved in conducting specific parts of our assurance work. For example, the use of text-mining to make our document and literature review processes more systematic and efficient and the use of open-source software and code to make the process of producing data-visualisation easier. We have also been using web-scraping techniques to extract qualitative information and insight from previously untapped sources – including social media.
- 3 We have used more sophisticated data-led analytics approaches to produce more insightful analysis to support our findings. One example is how we have brought together a range of data in a GIS system to model choice of maternity services in a Value for Money report.

- 4 We are applying data-matching and linking methods to make sample testing in financial audit more efficient and robust.

We have taken the opportunity to spread the knowledge and experience we have developed by discussing our approaches and techniques with other SAIs.

For further information, please contact Phil Bradburn on philip.bradburn@nao.gsi.gov.uk

Innovations in managing down the cost of financial audit while maintaining quality

As SAIs we operate in an environment where our clients are subject to significant cuts in their budgets and closer scrutiny of their expenditure from respective authorities while continuing to deliver public services. In keeping with our commitment to practise what we preach, since 2010-11 we have had an ambitious structured cost-reduction programme. We have achieved this while maintaining the quality of our financial audit work.

We have met this challenge through increased delegation of work to more junior members of staff, making changes to our financial audit working practices and fostering a culture of quality, efficiency and empowerment geared towards supporting our clients in this current economic environment.

Increased delegation

We now categorise our financial audit clients into three categories: A, B or C. Category A audits are the largest and most complex, with areas of greatest client or auditor judgement leading to a higher risk of material misstatement. Category C clients are generally small, and non-complex, where the risk of material misstatement is assessed as very low. Category B clients have moderate levels of risk attached to them.



National Audit Office

We encourage directors to delegate engagement team roles to less senior staff, guided by the client category. This improves the quality of our Category A audits by enabling directors to focus more of their time on the clients with the greatest risk and complexity. This also improves the quality of audits where the engagement team roles have been delegated as they can allocate more of their time to client contact. Empowering junior grades to perform senior roles for low-risk clients can also provide a cost reduction while providing valuable experience and developing quality staff.

Changes to our audit working practices

We recently improved our risk-based approach to more closely align the amount of audit effort to the risk of material misstatement in an audit area. In addition to using our robust risk assessment to identify additional risks of material misstatement, we now also identify where there is a minimal risk of material misstatement. For areas subject to minimal risk, we agree the ledger to the trial balance and to the accounts only. The reduction in audit work enables the audit team to focus their audit effort on areas posing greater risks of material misstatement, improving the quality of the audit. This approach has reduced the overall amount of audit work, accompanying documentation and client reporting, with an associated reduction in audit cost.

Embedding quality and efficiency into our culture

We asked for volunteers to receive additional training on our revised working practices and to promote quality in audits. These volunteers provide advice to teams on implementing our working practices to identify and share good practice, challenge the team to further improve quality and efficiency, and provide another method of communication between audit teams and central support teams. Feedback from directors is positive and the new working practices are now fully embedded throughout the organisation, helping us achieve significant cost savings while maintaining audit quality.

For more information on these quality improvement and cost-reduction initiatives, please contact Dr Mark Burford ACA on mark.burford@nao.gsi.gov.uk.

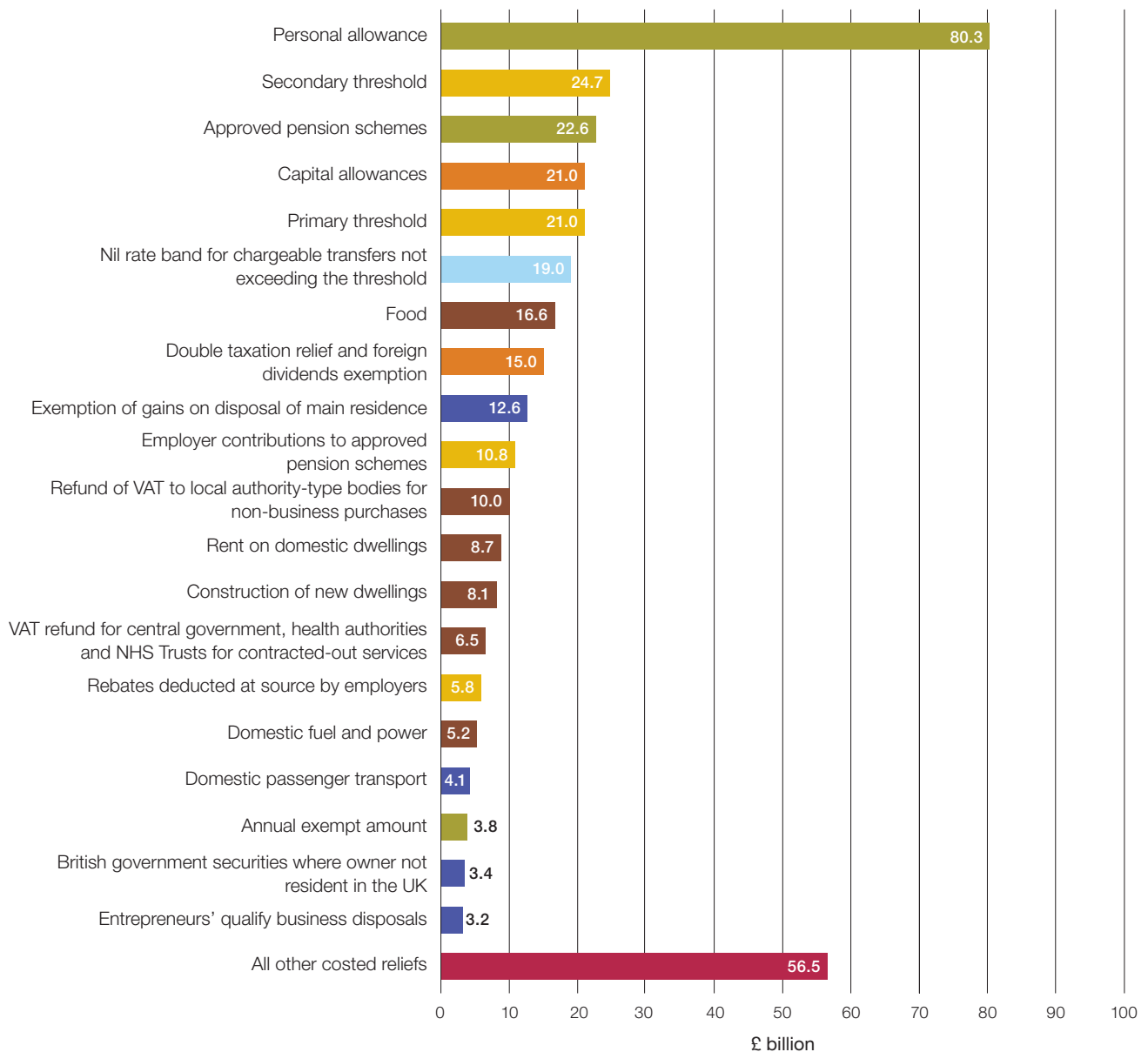
NAO work on tax reliefs

The UK National Audit Office published two studies on tax reliefs in 2014. In March, we considered the overall landscape of tax reliefs³ and in November we evaluated how a sample of 10 tax reliefs were managed by the UK revenue department – HM Revenue & Customs (HMRC). We also provided a commentary on the monitoring and reporting by HMRC of data on all tax reliefs.⁴ Tax reliefs are an important part of the tax system and serve a wide variety of purposes. They also create opportunities for tax avoidance, and the number of reliefs and the interaction between them adds to the complexity of the tax system. Some involve significant cost to the UK exchequer and are material to the UK fiscal position (**Figure 1** overleaf).

³ Available at: www.nao.org.uk/wp-content/uploads/2014/03/Tax-reliefs.pdf

⁴ Available at: www.nao.org.uk/wp-content/uploads/2014/11/Effective-management-of-tax-reliefs.pdf

Figure 1
Top 20 Tax Reliefs 2013-14



Relief from

- Income tax
- National insurance contributions
- Income tax and corporation tax
- Inheritance tax
- Value added tax
- Capital gains tax
- Other

Source: HM Revenue & Customs main tax expenditures and structured reliefs: Table 1.5

Headline findings

Our work has established that HMRC does not have a framework to govern the introduction or modification of reliefs. We consider that certain categories of tax relief, in particular those which seek to deliver specific policy objectives, require proactive management as they share many common features and carry similar risks. HMRC agrees that it has responsibility for evaluating whether tax reliefs are achieving their aims and for assessing their costs and benefits. We found examples of good practice in this regard, but also inconsistency and fragmentation in the way HMRC administers reliefs and insufficient sharing of information about their risks, costs and benefits.

We have therefore recommended that HMRC should develop a methodology for identifying groups of similar reliefs and should identify what level of administration is appropriate for each type, taking into account factors such as objective, complexity and risk. We see signs that a more specific and focused approach is beginning to emerge in HMRC. For example, it has set up a specialist unit to monitor patent box relief and is developing new techniques to monitor risk and respond quickly to deviations in its use. We hope that more examples of this type will emerge and we encourage HMRC to move forward in this direction, developing a range of techniques which it applies to each tax relief in a way which is proportionate to its assessment of risk.

Our approach

The work relies on a lot of self-generated analysis because HMRC does not collate management information on tax reliefs beyond what is already published. Therefore we needed to carry out a broad review to bring together all existing information on tax reliefs before carrying out deeper case study reviews to evaluate administrative performance.

Our work is informed by academic thinking and we published a report we commissioned by the Tax Administration Research Centre on how to define, measure and evaluate tax reliefs.⁵ Using this methodology we identified almost 200 'tax expenditures' and categorised these by area of government and whether they were behavioural reliefs or subsidies. We also identified that for 42% of these reliefs the cost is unknown.

We also included comparative analysis with ten other countries. International practice varies considerably in how far tax authorities monitor tax reliefs and publish information about them. HMRC is one of only a handful of fiscal authorities we found that reports the costs of more than 100 tax reliefs and uses caps on the use of particular tax reliefs. Some other countries put more focus on those reliefs with social or economic objectives and monitor and report on them more extensively than in the UK.

For further information please contact Andy Morrison on andy.morrison@nao.gsi.gov.uk

⁵ Available at www.nao.org.uk/wp-content/uploads/2014/03/TARC-Tax-Expenditures-and-tax-reliefs-technical-paper.pdf

