

EUROSAI

# INNOVATIONS

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**BULGARIA:**

## A CLEAR PICTURE OF THE PUBLIC SECTOR ACCOUNTABILITY



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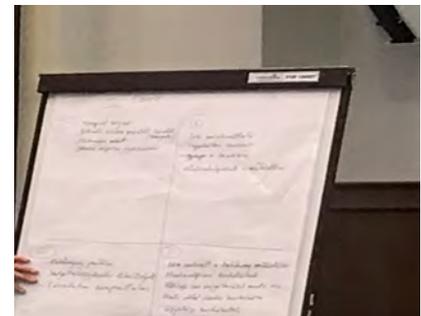
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## TELLING THE STORY



# BNAO SUMMARY REPORT PROVIDES A CLEAR PICTURE OF THE PUBLIC SECTOR ACCOUNTABILITY

The realization of an innovative solution by the Bulgarian National Audit Office supports the implementation of at least two strategic objectives set out in the new Development Strategy of the National Audit Office for the period 2018–2020 – 1) communicating the audit reports in an appropriate and comprehensive manner to stakeholders and 2) providing ongoing support for the efforts of the Ministry of Finance to modernize the public sector accounting practices and to ensure a relevant financial reporting framework.

This is achieved by the Report on the results of financial audits carried out in 2017. The report summarizes the conclusions and the opinions on the certification of the annual financial statements for 2016 of the ministries and budget organisations, state universities and municipalities from over 300 audits performed via the use of specialized audit software.

The report provides comprehensive information on the state of the public sector accountability and serves as a reliable basis for decision-making at institutional, regional and national level. It provides sufficient data that could lead to legislative improvements and changes in the working practices of the public sector governance, which cannot be achieved by separate audit reports.

The report also provides financial information for a wide range of users and to all stakeholders. Thus, a high level of trust is achieved

between the BNAO, society and professional community.

A recent sociological survey indicated that BNAO public image is related with professionalism, independence and objectivity, publicity and transparency.

The summarized report indicates that the financial audits in 2017 led to corrected errors amounting to BGN 3.6 billion, which is with 42% more than the corrected deviations in the previous year. This figure is impressive (for the Bulgarian environment) and demonstrates the positive effect of the possibility provided to the BNAO to make ongoing corrections during the implementation of the financial audits and in this way to perform one of its major tasks – to ensure that the annual financial statements give a true and fair view of the financial situation and of the performance of the budget organizations.

The report also presents the increasingly successful implementation of the above task illustrated by improved accountability - 90 % of the total number of the opinions on the financial statements are unmodified.

The Bulgarian National Audit Office carries out financial audits in accordance with the National Audit Office Act, the International Standards of Supreme Audit Institutions (ISSAIs) and the BNAO Manual on ISSAI implementation. The BNAO has improved its methodology for accumulating

the deviations identified for better understanding of the benefits and effects of the financial audits in a clearer and more comprehensive manner.

An analysis was performed on the basis of the summarized results of the financial audits which identified two main weaknesses in the financial reporting framework

- The requirements for financial reporting of budgets enterprises are developed on the basis of accounting standards for the private sector;
- Lack of consolidated financial reporting framework, but application of numerous general and individual financial reporting guidances.

## THE BNAO RECOMMENDS:

THE FINANCIAL REPORTING FRAMEWORK IN THE REPUBLIC OF BULGARIA TO BE RECONSIDERED AND TO START SOONER WITH THE PREPARATIONS FOR THE ADOPTION OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS OR OF THE EUROPEAN PUBLIC SECTOR ACCOUNTING STANDARDS.

The report is discussed by the Budget Committee of the 44th National Assembly of the Republic of Bulgaria. It is submitted to the Ministry of Finance to consider the necessary steps aiming at improving the public sector accountability.



## DENMARK: BALANCING EXPECTATIONS - ESTABLISHMENT OF AN ADVISORY BOARD

Striking the right balance of expectations in our collaboration with the auditees is crucial, because it allows both them and us to do our work effectively and without unnecessary obstacles. The results of a survey carried out in 2016 concerning the auditees' view on Rigsrevisionen, highlighted the importance of having insight into each other's roles, areas of responsibility and general working conditions. Overall, the outcome of the survey showed support to Rigsrevisionen and our role as watch dog, but it also highlighted an imbalance of expectations in our interaction with the auditees.

With the establishment of an advisory board in 2017, Rigsrevisionen gained direct, yet informal, access to recipients of our services with insight in our work as well as in the work of the auditees. Through our collaboration with the six members of the board – chaired by our auditor general – we expect to get a clearer picture of developments in the public sector and the challenges facing the auditees.

The board meets twice a year. At their first meeting in October 2017, the members provided input to Rigsrevisionen's strategy for 2018 – 2020, and at their second meeting in May 2018, the agenda called for a discussion of the challenges associated with performing audits in a political context.

In addition to the establishment of the advisory board, Rigsrevisionen have also taken steps to be more open in our dialogue with the auditees, particularly in respect to the planning of the annual financial audits, the background for major midprocess changes made to audit criteria, and the treatment of the auditees' responses to consultations on the major studies.

Rigsrevisionen have plans to measure the effect of these and other balancing activities in future small-scale surveys.

### FACT BOX – ADVISORY BOARD

**Established in 2017**  
**Members appointed for three years**

Board members have been drawn from the following bodies:

- the Danish Ministry of Finance  
- permanent secretary
- a Supreme Audit Institution (currently the Swedish national audit office) – auditor general
- FSR (Danish Auditors is Denmark's trade organisation of auditing, accounting, tax and corporate finance) – managing director
- the Danish Agency for Science and Higher Education – former permanent secretary
- the Danish Economic Councils (independent economic advisory body that provides independent analysis and policy advice to Danish policy makers – chairman
- Danish Regions (interest organisation for the five Danish regions that are responsible for ensuring the quality of health-care services in Denmark) – managing director

For more information on setting up and working with an advisory board, please contact Niels Gyldenvang Steffensen,  
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ÁLLAMI  
SZÁMVEVŐSZÉK

# STATE AUDIT OFFICE OF HUNGARY: “GOOD PRACTICES” CONFERENCES AND TRAININGS FOR AUDITEES



The Act on the State Audit Office of Hungary states that, with its findings, recommendations, and advice based on its audit experience, the State Audit Office of Hungary assists the National Assembly, its committees and the work of the auditees, thus facilitating well-governed state operations.

This means that, in addition to its primary activity, i.e. auditing, the Act on the State Audit Office of Hungary defines a certain advisory and opinion-giving role for the institution. One of the objectives is that, in addition to audits, the SAO should provide analyses, studies, opinions, innovative knowledge sharing and it should encourage self-education for the more transparent and effective use of public funds, as well as for the more effective operation of institutions and systems providing public services. Another objective is that the SAO, through its audits and analyses, should trigger positive trends that can improve the everyday life of the citizens. Through its advisory and analytical role, not only does the SAO support the work of the National Assembly and the operation of a well-governed state, it also assists auditees in achieving compliance with regulations. In addition, the SAO is committed

to the improvement of the state management in Hungary, and laying the foundations of an ethical public funds management training is instrumental in these efforts.

In 2015, the National Assembly of Hungary granted authorisation to the State Audit Office of Hungary to widen its advisory activities regarding management systems and to support the ethical public funds management training.

In its audits, the State Audit Office of Hungary identifies deficiencies, and it also gives high priority to innovative financial management solutions and good practices. Having recognised the value of these, in 2010, the SAO started sharing the “Good practices” it comes across to improve the operation of organisations managing public funds and to support a well-managed state in a series of seminars launched under the same title.

From 2015 to the summer of 2018, 12 “Good practices” seminars were held at the SAO Headquarters: The topics covered included organisational integrity in state-owned companies and in the public sector in particular, as well as ethical leadership, ethical management training and performance management.

We shared our audit experiences and good practices with auditees in higher education, public services, organisations in public procurement procedures, social and child welfare institutions, museums, and companies owned by local governments. It is our objective to invite, both as lecturers and participants, relevant state organisations exercising ownership rights to every seminar. With this, we wish to ensure extensive knowledge transfer.

By 2017, we had realized that audit experiences must be shared in a more targeted manner in which individual characteristics are also considered, and, as a result, seminars were complemented with trainings. Within this, conferences are organised as opening events of the trainings. However, these conferences can be attended as separate activities. Conferences are directly followed by free, 50-hour target-oriented SAO trainings to which smaller groups of leaders of formerly audited entities (20-25 people) are invited.

The materials and topics covered in the trainings are elaborated by the Public services management department at the institute established together with the University of Miskolc. Instructors from the



university work together with the experts of the SAO in the trainings. The trainings are explicitly targeted at the top leaders of budgetary institutions. The aim of the trainings are to improve the knowledge on ethical public funds management among organisations in the public finance system. The trainings are organised around subjects discussing the experiences of SAO audits carried out in the target group in recent years and via the presentation of specific case studies. The subjects are as follows:

- Creating value and ethical dilemmas in leadership;
- Creating and enhancing organisational integrity in the public sector;
- Performance management in public services;
- Management control.

With a view to the time management issues of top executives, the training is structured in such a way that directly after the conference, there is a 1.5-day training that participants attend, which is followed by 4-5 weeks of distance-learning, with tasks that require 6-8 hours of work a week. The last day of the training they attend in person, participants evaluate the case studies they worked on in groups, have a consultation, and receive the certificates of attendance.

Approximately 80 top executives of organisations managing public funds have attended the targeted management trainings of the State Audit Office of Hungary's "Good practices" seminar series. Some of the topics covered are recurring, based on the target groups of state audits and the experiences accumulated in the course of the audits, such as companies owned by local governments (considering the continuous and numerous audits), and some of them are unique, such as the training offered to heads of museums, which relied on the findings of the audits of museums completed in 2017.

We are planning to share our audit experience of state-owned companies in the near future again, as we did in May 2016, and to organise a training for the leaders of the most recently audited companies in this field. Our plans for the more distant future involve seminars for organisations using public funds in the cultural and art sector and for healthcare entities, and a training for the leaders of the organisations concerned.





NATIONAL AUDIT  
OFFICE OF LITHUANIA



# LISTENING IS NOT ENOUGH: LEARNING TO GET OUR VOICE HEARD AND BE UNDERSTOOD BY OUR STAKEHOLDERS

The audit conducted by the National Audit Office of Lithuania a decade ago examined the integration of information systems of medical bodies with central information systems and registers. It was then that we found out the term “one-sided integration”, which means a possibility to integrate central and local information systems. It, however, remained only a possibility, it was never fulfilled.

It is similar to one-way communication: when you speak, and no one hears you. When we as supreme audit institutions speak, can we be sure that people are listening to us and understand us?

Auditors do not enjoy very high levels of confidence. Traditionally, auditors and audited entities are on different sides of barricades since our traditional effect measures are recommendations – acts of direct and unconditional application. This situation gives us respective roles of

attackers and defenders where we aim to score the goal, and audited entities are concerned with countering our attack.

We do not realise that we play in one team, and even if we recognise that, we have not yet learned to trust each other. The barricades where we will soon return are not yet destroyed.

Supreme audit institutions send signals. However, this is not enough. It is necessary that they are heard and understood by our stakeholders. The understanding that grows into trust and cooperation would give us the signal to act and be daring. To achieve this, we need time. Therefore, since 2017 the National Audit Office of Lithuania has started sending signals - that are our new way of speaking - by annual conferences SIGNALS aimed at the public sector.

We have tried to realise them in the following seven steps:



SUSTAINABLE DEVELOPMENT CONFERENCE

LET'S HEAR.  
LET'S ACT.

NATIONAL AUDIT OFFICE OF LITHUANIA IS SENDING SIGNALS - THAT ARE OUR NEW WAY OF SPEAKING - BY ANNUAL CONFERENCES SIGNALS AIMED AT THE PUBLIC SECTOR. SIGNALS 2018 IS A CALL TO NOT ONLY HEAR THEM BUT ALSO ACT IN BRINGING ABOUT POSITIVE CHANGES.

### 1. Set a framework for cooperation and information exchange.

Supreme audit institutions participate in many conferences where we are invited to express ourselves on the problematic issues of the public sector and provide our proposals on how to tackle them. However, in most cases, the themes of the conferences are determined by the organisers, and we have no possibilities to choose the audiences either. Therefore, we came up with the idea to organise a specialised conference that would allow to develop its scenario as well as invite those participants who would benefit from the topics.

### 2. Invite representatives of the public sector and partner audit institutions.

When choosing the targeted audience, our clients – public sector entities - are of great importance for us. From them, we expect to receive the real information about the life of the public sector – not only problematic issues but also the existing (or even planned) initiatives to address them. Representatives of other supreme audit institutions are also essential for us, as they can look at the current problems from the perspective of their performed audits, whereas representatives of the academic community can address the same issues in the context of scientific research.

### 3. Generate ideas of common interest and importance.

We should use the audience as idea generators. We can choose the main topics for the conference - they might be different every year; however, they have to reflect the central issues of the public sector.

We should choose the most problematic presentations that are not necessarily directed towards solving the problems, however, they should urge us to think, discuss and argue. This is how we will be able to understand the public sector issues better. No less important for public institutions is understanding why we as supreme audit institution attach a high priority to some of the issues whereas other issues are given a lower priority; which audit instruments are employed and what impact we want to achieve by the audit. It is also vital to know the possibilities of the audit institution.

### 4. Negotiate the most relevant and important ones, give examples of how they were implemented in other countries.

We should discuss and not agree with each other, and we should look for examples of how the issues that concern us are tackled in other countries. In most cases the problems we face today are not unique, they might have been addressed earlier in other countries. Therefore, both we and our auditees can get good advice from them. Examples from other supreme audit institutions could be interesting to us; also, their practices might be essential to identify the problems to which we have not been attaching enough attention so far.

### 5. Assure that both sides accept the issues identified.

We should make sure that what we consider as necessary is also crucial for the public sector institutions. We should agree that we have a common understanding of the importance of the issues to be addressed, we should learn the latest news, initiatives that have been envisaged by the Government to tackle the acute problems, their priorities and whether our potential recommendations will not duplicate issues already addressed. Also, if our audit recommendations will have the practical possibilities to be implemented.

Only having developed a common understanding of problematic issues we could expect a more significant impact of our audits.

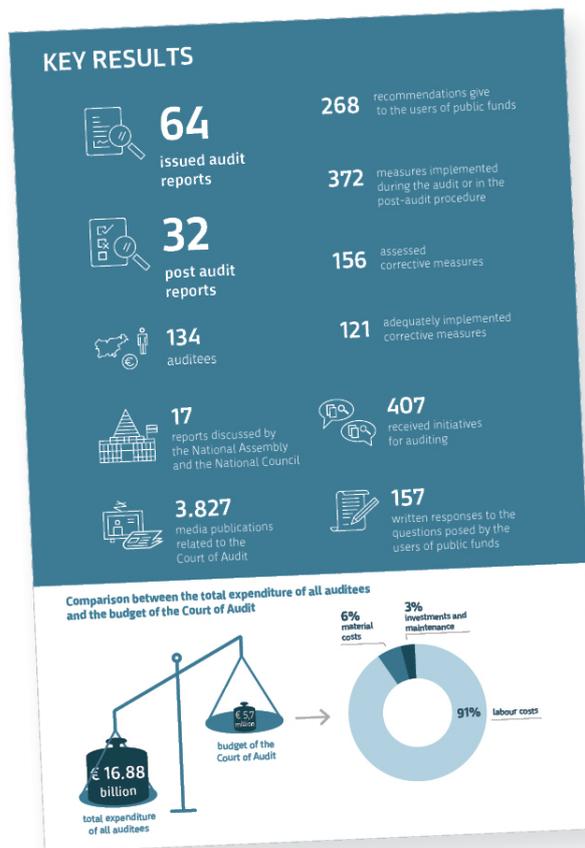
### 6. Leverage audit proposals on commonly accepted problems.

We should use the information obtained during the conference in planning our next year audits. To do this, the timing of the conference becomes essential. We hold it in autumn to be able to integrate the received proposals into the next year audit programme.

### 7. Sustain initiative making it repeatable.

The conference should not be a one-off exercise. Repeated initiatives should show our joint commitment to make a conference with one of the instruments enhancing our audit impact on the public sector. The annually recurrent conference will be expected, it will be adequately prepared, and it will provide a forum for continuous discussion of the new issues that have been discussed earlier. Finally, this will contribute to mutual trust between the supreme audit institution and its auditees.

National Audit Office of Lithuania is sending signals - that are our new way of speaking - by annual conferences SIGNALS aimed at the public sector. SIGNALS 2018 is a call to not only hear them but also act in bringing about positive changes.



REPUBLIC OF SLOVENIA  
COURT OF AUDIT

## TELLING THE STORY

Audit reports are professional and extensive documents that often use specific language addressing the auditee. All this provides for high professional standards, but as a consequence the findings are not reaching the broader public.

**In order to make our audit reports accessible and understandable to the public we are "in-house" producing extra visual materials that are published along with the report to complement it,** to give the media tools they need to understand the

content faster and to report about the topic quickly and more correctly. It is an opportunity to communicate our work directly to the public.

**Besides making data visualisations included in the audit report to be more readable and easier to understand, we are also producing extra visual materials such as infographics and short videos - that are really well perceived by the journalists and shared on social media by the public. We design posters that present our audits at conferences and different events. All of this is provided exclusively by our own human resources.** This helps us to tell and sell the story of our audits to the broader public representing just another channel to put pressure on the decision-makers to take action concerning important issues. As it is with everything that we design, the visuals supporting the audit reports are a product of a lot of effort and teamwork, whereby the auditors work directly with our creative office. **It has brought a new multidisciplinary dynamic in our daily work and provides us constant challenges and opportunities to better tell the story.**

