



No. 10

European Organisation of Supreme Audit Institutions



II EUROSAI-EURORAI Congress

**On the Committee of State Control, SAI of the Republic of Belarus
The Supreme Chamber of Control (NIK) as the Coordinator of the EUROSAI
Working Group on Environmental Auditing. Experiences and challenges
Audit and arms. The role of the Audit Office in Legislative Oversight
of the Armed Forces**

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The aforementioned address should also be used for any other correspondence related to the magazine.

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Editorial

Dear members of EUROSAI:

The complexity that characterises the economic activity of the public sector at present and the growing number of bodies that exercise or intervene in its audit, makes the integration of controls increasingly necessary by means of a process of technical coordination and collaboration between institutions.

New global strategies generate mutual interdependence between national economies, where integration in diversity makes the “whole” greater than the sum of its parts; concepts of responsibility and cooperation in this way acquiring relevant significance. Contributing to this is also the construction of the new Europe, with homogeneous and democratic political systems, whose configuration should be protected by systems for the control of uniform management and public expenditure.

With full respect to the particular nature of each system, the controls must tend to become integrated with the cooperation strategies, strengthening the elements that may favour this. It is necessary to determine common areas and to identify technical and practical aspects that allow this to become effective, promoting the harmonisation of regulations, techniques and procedures for enabling this and detecting the obstacles or risks that prevent or make this difficult while seeking formulae for solutions.

Cooperation encourages the creation of real added value which, above any peculiarities, make the control network efficient based on common interest, a spirit of trust, independence, equality and freedom in participation, transparency and responsibility. To be effective, cooperation must be dynamic, in this way converting values into a Code of Conduct.

From this perspective, EUROSAI must play a crucial role, directing an important part of its efforts to making the SAIs that participate in areas of common action subject to continuous integration and globalisation processes which carry with them processes for de-centralisation, aware of the importance of advancing in cooperation within their regional scope and with regard to other Groups.

In this sense, joint periodic Meetings of EUROSAI with other Audit Institution Organisations such as OLACEFS (which will hold its III Conference in London under the title “Auditing in the 21st Century”) and EURORAI (which directed its attention towards cooperation in auditing the health sector, last year, in Copenhagen) become particularly important.

It is the responsibility of the Chairmen of the SAIs to set the bases for cooperation and to take on the commitment of promoting this and putting it into practice in an operating manner in its different forms, together with controlling the results in a continuous back-feeding process that is shown in real and progressive advances and projects. An exchange of information must be encouraged, generating a horizontal and vertical inter-relationship mechanism that involves the control bodies themselves, Parliaments and national management organisations, resulting in greater transparency and efficiency in the application of public funds.

The important task carried out by the EUROSAI Working Groups on Information Technology and Environmental Auditing, which are undertaking interesting cooperation initiatives, should be highlighted; together with the efforts of the Training Committee which is developing praiseworthy activities aimed at the design of a common Training Strategy and actively promoting the organisation of seminars, events together with collaboration with IDI.

I would not like to end these words without dedicating a few affectionate and warm words to our dear colleague and friend, Dr. Volenik, who was the Chairman of the Supreme Audit Institution of the Czech Republic and Chairman of EUROSAI between 1996 and 1999, and an acknowledged promoter of cooperation in all the fields of our Organisation.

I wish to state my sincere gratitude to all the authors who have generously made the edition of this issue of the EUROSAI Magazine possible, while at the same time offering this forum, that has the main mission of serving as a vehicle for cooperation and communication between the members of our Organisation, to all those who wish to contribute to this common objective.

Ubaldo Nieto de Alba

Chairman of the Spanish Court of Audit,
Secretary General of EUROSAI



Eurosai News

MINUTES OF THE XXV MEETING OF THE EUROSAI GOVERNING BOARD

Moscow (Russian Federation) – 27 May 2002

The EUROSAI Governing Board held its XXV meeting in Moscow (Russian Federation), on 27 May 2002, with the attendance of the members, observers and guests that appear on the list that is enclosed as annex I, and under the presidency of Mr. François Logerot, First President of the *Court des Comptes* of France, President of EUROSAI.

Mr. Stepashin, President of the SAI of the Russian Federation, welcomed the participants, and Mr. Logerot made an introductory speech. Mr. Logerot emphasized the important role played by the SAI of the Czech Republic, and by his President, Mr. Voleník, in the development of the Organisation, as President of EUROSAI, and later as member of the Governing Board, and he said that this SAI would continue maintaining a very active participation in EUROSAI as a member of the Training Committee. He greeted Mr. Nuñez Perez who attended as representative of the Secretary General of EUROSAI, absent by health reasons. He sent, on behalf of the Governing Board, his best wishes of recovery.

Before approaching the items of the Agenda, Mr. Logerot, President of EUROSAI, informed the members of the Governing Board that Mr. Stepashin, President of the SAI of the Russian Federation, wished to present a proposal to them referring to an object susceptible to symbolise the Organisation, and he gave the floor to him so that could present his project.

Mr. Stepashin remembered that, up to that moment, EUROSAI had not had any object susceptible to symbolise the Organisation. Next, he presented to the members of the Governing Board a crystal polyhedron, engraved with the acronym of the Organisation, and proposed that this object, symbol of transparency, became the EUROSAI symbol. This symbol would be kept by the current presidency, during its

period of mandate and, in each Congress, it would be given to the new president.

The Governing Board approved the proposal of Mr. Stepashin, President of the SAI of the Russian Federation.

1. Approval of the agenda of XXV meeting

The agenda of the XXV meeting was approved, after including the following extensions and amendments:

– Under item 9: presentation by the SAI of the Russian Federation of the final programme of the Congress;

– Under item 10, Other items: Information of the United Kingdom on the results of the meeting of the INTOSAI Working group on Strategic Planning, held in Washington on 25 and 26 April 2002.

2. Approval of the minutes of the XXIV meeting

The minutes of the XXIV meeting were approved (7 March 2002, Copenhagen), they would be sent to all the members of the Organisation.

3. Report on the EUROSAI activities in the period 1999-2002

Mr. Núñez Pérez, on behalf of Mr. Nieto de Alba presented the Report of the Secretary General, where the main activities of the Organisation during the period 1999-2002 were included. There were no comments on the report by neither the members nor the observers of the Governing Board. The report would be submitted to the Congress for its approval.



4. Presentation of the accounts, Financial Reports and Reports of the Auditors relative to financial years 1999, 2000 and 2001

Mr. Núñez Pérez, on behalf of the Secretary General of EUROSAI, presented the accounts and the financial reports relative to financial years 1999, 2000 and 2001, along with the Reports of the Auditors. The President of EUROSAI, pointed out that the Auditors had expressed a positive opinion on the accounts of the Organisation managed by the Spanish General Secretariat.

There are no comments on the matter neither from the members nor from the observers of the Governing Board. The above-mentioned documents would be submitted to the Congress for their approval.

5. Presentation of the Draft Budget

Mr. Núñez Pérez, on behalf of the Secretary General of EUROSAI, presented the draft Budget prepared according to the directives established by the Governing Board in its last meeting held on 7 March 2002, in Copenhagen.

There were no comments on the matter neither from the members nor from the observers of the Governing Board. This draft budget would be submitted to the Congress for its approval. Mr. Logerot, President of EUROSAI, said that this draft Budget, if were approved by the Congress, would let the activities of the Organisation develop, especially in the area of Training.

6. Information on the candidacies for the election of the members of the next Governing Board of EUROSAI and the appointment of the new Auditors

Mr. Núñez Pérez, on behalf of the Secretary General of EUROSAI, reminded the members of the Governing Board about the letters of candidacy that were sent to him by the Presidents of the SAIs of Italy and Lithuania, regarding the election of the members of the next Governing Board of EUROSAI.

As far as the nomination of the Auditors, he informed that the SAI of Belgium has communicated officially that it was ready to request a new mandate, the opposite that the SAI of Ireland. On the other hand, the SAI of Iceland had expressed their availability to perform the functions of Auditor, if the Congress accepted to assign such mission to them.

Mr. Logerot, President of EUROSAI, took note of the candidacies presented for the election by the Congress of the new members of the Governing Board. He pointed out that these candidacies respected the aim, expressed in article 10 of the Statutes, and at the same time showed a suitable representation of the geographic differences of Europe and of the main types of audit of the public finances.

He thanked the elected members leaving the Board, both the SAI of Estonia and the United Kingdom, the second one will participate from now on as observer in the meetings of the Governing Board. Mr. Logerot, President of EUROSAI, praised the dynamism of the SAI of Estonia, and its President, Mr. Parts, who had developed a very active role in the Organisation, both for his openness to co-operation as for his always right and opportune contributions to the works of it.

Regarding the next nomination of the Auditors, the President of EUROSAI showed his satisfaction as the SAI of Belgium had expressed their desire to request a new mandate, he thanked the SAI of Ireland for the quality of the works made during its two consecutive mandates. He also thanked the SAI of Iceland, because it had communicated its availability to accept the auditor's functions.

The Governing Board took note of the candidacies notified to the General Secretariat regarding the nomination by the Congress of the next members of the Governing Board, as well as of the Auditors of the Organisation.

7. Presentation of the Report of Activities of the Training Committee and the Draft Resolution on the training strategy

Mr. Perron (SAI of France), who co-presided over with Mrs. Fernandez-Pirla



(SAI of Spain) the EUROS AI Training Committee (ETC in English), presented the Report of Activities 2000-2002 of the Training Committee, that would be presented to the Congress, along with a Draft Resolution on the strategy of training in EUROS AI, prepared according to the orientations given by the Governing Board in its meeting of 7 March 2002, held in Copenhagen.

There were no comments on these documents neither from the members nor from the observers of the Governing Board. These documents would be submitted to the Congress for its approval.

8. Presentation of the Report of the Working group on Environmental Audit

Mr. Sekula, President of the SAI of Poland, presented the Report of the Working group on Environmental Audit corresponding to period 1999-2002, before its examination by the Congress.

There were no comments on this document from neither from the members nor from the observers of the Governing Board. This document would be submitted to the Congress for its approval.

9. Information on the participant SAIs and other institutions in the Congress in quality of observers or guests and presentation of the final program of the Congress

Mr. Stepashin, President of the SAI of the Russian Federation, remembered that the Governing Board, in its meeting of 7 March 2002 held in Copenhagen, decided to invite, as observers, the SAIs that represented the different regional groups of INTOSAI, the SAI of the United States of America, as SAI responsible for the INTOSAI magazine, and three organisations, IDI, Sigma-OECD and EURORAI. The SAI of Canada and Japan were invited personally by the President of the SAI host of the Congress.

Mr. Stepashin, President of the SAI of the Russian Federation, said that he had received confirmation of the following institutions and organisations: ARABOSAI

would be represented by the SAI of Morocco, that held the presidency, OLACEFS by the SAI of the Republic of Colombia; EURORAI, IDI, Sigma-OECD, the SAI of the United States of America, as SAI responsible for the INTOSAI magazine, and the SAI of Canada and Japan, had also confirmed their participation.

On the other hand, Mr. Stepashin, President of the SAI of the Russian Federation, proposed that he authorised the above-mentioned institutions and organisations to carry out brief presentations, during the first or second general plenary session, under the item *Other items*. The following institutions and organisations: ARABOSAI, OLACEFS, IDI, EURORAI, Sigma-OECD, and the SAI of the United States of America had expressed their will to take part in the presentations.

There were no comments on these proposals neither from the members nor from the observers of the Governing Board. Mr. Logerot, President of EUROS AI said that he would inquire, consequently, the Congress about the list of observers and guests agreed, and about the items added to the Programme of the Congress that had been approved. He said that the presentation of the observers showed the interest for EUROS AI of the other institutions and organisations, but also of the openness and the dynamism of our Organisation. These presentations can be very useful for EUROS AI.

10. Other items

Sir John Bourn invited Mr Sinclair, who had represented the United Kingdom' SAI, to report to the Governing Board the results of the meeting of the INTOSAI Working group on the Strategic Planning, that was held in Washington on 25 and 26 April 2002. Mr. Sinclair said that the Group had paid attention to the objective of the preparation of a draft strategic planning framework, of which a preliminary version would be presented to the Governing Board of INTOSAI, in its meeting of 15 October 2002. The objective is to obtain a final document that would be submitted to the Congress of Budapest, in 2004, for its approval. He emphasised that this Group, presided over by the GAO of the United States of America, and which



had three members from EUROSAI, it was starting its works. In this phase, their members were exchanging ideas on the essential functions of INTOSAI, its values, and the general directions for a strategic planning framework. As soon as a preliminary document were prepared, it would be distributed between the members of EUROSAI, so that each one of them could contribute to the on-going works.

Mr. Logerot, President of EUROSAI, emphasised that it was important that INTOSAI made reflections on the directions that it must follow, and emphasised the fundamental role that the Working group

would carry out in the preparation of that future strategy. He thanked the members of EUROSAI for participating in these reflections. The INTOSAI Congress in 2004 would see the first results of them.

Mr. Logerot, President of EUROSAI, thanked Mr. Stepashin, President of the SAI of the Russian Federation, as well as his staff and all those who had participated in the preparation and the good development of the meeting. He also expressed his recognition to the Spanish Court of Audit, that from 1990 has held the General Secretariat of the Organisation, and closed the meeting.

MINUTES OF THE XXVI MEETING OF THE EUROSAI GOVERNING BOARD

Moscow (Russian Federation), 31 May 2002

The EUROSAI Governing Board held its XXVI meeting in Moscow (Russian Federation), on 31 May 2002, with the attendance of the members, observers and guests that are shown on annex 1.

Mr. Stepashin, President of EUROSAI, expressed his gratefulness to Mr. Logerot, President of the SAI of France and former President of EUROSAI, for the work made and its co-operation in the development of the V Congress of EUROSAI.

1. Approval of the Agenda of the XXVI meeting

The Agenda of the XXVI meeting, once included the following modifications, was approved:

- A new item 5 in which the request of membership of the SAI of The Former Yugoslav Republic of Macedonia would be analysed. This request was received in the Secretariat after the draft Agenda had been distributed.

- Previous item 5 was, then, item 6 of the Agenda.

- Under item 7 "Other items", the President of the SAI of Hungary, Mr. Kovacs, would offer information on the preparations of the 50th anniversary of INTOSAI,

year 2003, and on the celebration of the XVIII INCOSAI, year 2004. Also, the SAI of Poland would present their candidacy for the VII Congress of EUROSAI. Finally, the SAI of Portugal also requested to take part in this item.

2. Welcome to the new members

Mr. Stepashin welcomed the three new members of the EUROSAI Governing Board, the Presidents of the SAIs of Germany, Italy and Lithuania, Mr Engels Mr. Staderini and Mr. Liauciuss, respectively.

3. Nomination of the first and second Vice-president

Mr. Núñez Perez, as representative of the EUROSAI Secretariat, stated that the position of first Vice-president corresponded automatically to the President of the SAI of Germany, Mr. Dieter Engels, as stipulated in article 10 of the Statutes.

As far as the second Vice-president the candidacy of the SAI of Denmark is presented, that was to say, of its President, Mr. Otbo, by the SAI of the United Kingdom and with the support of the SAI of France, Russian Federation and Spain. The



Governing Board approved the candidacy of Mr. Otbo for the position of 2nd Vice-president of EUROSAI.

4. Adoption of the necessary directives for the fulfilment of the decisions of the Congress

Mr. Stepashin presented a summary of the results of the Congress emphasising the fact that this forum confirmed the growth and influence of our organisation this is shown by the high number of members of our Organisation, (36 members attended the Congress of Paris and 44 members attended the Congress of Moscow), as well as the increase of the scope of co-operation. From the debates had throughout the working sessions, he observed that there were important changes in the organisation and functions of the SAIs, greater interactions in co-operation and analysis and more detailed studies in subjects such as environmental audit, information technologies, training of experts.

Mr. Stepashin indicated that the analysis made by the Congress of one of the key elements of the activities of the SAI, "The budgetary control", constituted a significant contribution to the development of the co-operation in the framework of EUROSAI. Mr. Stepashin highlighted the final document of the Congress, "the Recommendations", in which the experiences of the SAI as well as their perspectives on this subject are reflected, and he proposed that the Training Committee and the just set up EUROSAI Working group for information technology take into account in the activities of the Governing Board. Mr. Stepashin reminded the resolution of the Congress "On the strategy of EUROSAI in the field of Training", that entrusted the Governing Board to undertake a previous study, with the participation of all the members of the organisation, to determine the training needs, to define the resources necessary to cover these needs and to elaborate the different strategies that EUROSAI could adopt in this field. Mr. Stepashin requested Mr. Logerot, President of resolutions of the Congress when elaborating their respective working plans for the next 3 years.

Over the next the 3 years training problems are going to occupy an important

place the SAI of France and Co-president of the Training Committee, to present a proposal in this sense. Mr. Stepashin also made a reference to the events of EUROSAI programmed for years 2002 - 2003: (1) 2nd Training Event, in September 2002 in Hungary on the subject "Value for money audit"; (2) 3rd Training Event in Prague in 2003 on the subject "Evaluation of the internal control"; (3) the last regional seminar of 1st phase of the Program of long term Regional Training of IDI to be held in Estonia in September 2002; (4) the first seminar of 2nd phase of the program for the countries of Central and Eastern Europe to be held in autumn 2002.

Mr. Stepashin highlighted that the accomplishment of such an extensive programme in the field of training will demand important organisational and financial resources. In this sense the resolution of the Congress about the increase of the contributions has a great importance as an action that will allow extend the financing of training events.

Mr. Stepashin also reminded the resolution adopted by the Congress "On the setting up of the EUROSAI working group for Information Technology" and he declared himself convinced that this working group just set up will allow to intensify EUROSAI activities in this important field.

Mr. Stepashin made reference to the report of the working group on environmental audit approved by the Congress that allows anticipating that this group will continue its successful work in the next period.

When referring to the perspective of the co-operation of EUROSAI with other international organisations dedicated to the control of the public finances in the next 3 years, Mr. Stepashin indicated the importance of the continuity in the co-operation between EUROSAI and OLACEFS remembering the Second EUROSAI-OLACEFS Conference that was to be held in Colombia in July 2002, as well as the Second EUROSAI-EURORAI Conference in Denmark in June 2003 on the subject of the audit of public health.

The United Kingdom's representative, Martin Sinclair, told the meeting that the United Kingdom' National Audit Office was prepared to host the next EURO-



SAI/OLACEFS Seminar in London if the Governing Board decided to hold a third event. Governing Board members noted, with appreciation, the United Kingdom's offer.

Mr. Logerot, President of the SAI of France, took the floor and congratulated Mr. Stepashin and his assistants by the success achieved in the organisation and for the results of the V Congress. Next, he made a special mention to the resolution of the Training Committee and to the assignment that the Governing Board had received from the V Congress, and he proposed that it were the Training Committee that analysed those terms expressed in the resolution informing about the results of the study to the Governing Board, in its next meeting, throughout year 2003.

The proposal of Mr. Logerot was approved.

5. Request of membership of the SAI of The Former Yugoslav Republic of Macedonia

Mr. Núñez Perez exposed the statutory requirements that must be fulfilled to admit the membership of a SAI in our Organisation and presented the candidacy of the SAI of The Former Yugoslav Republic of Macedonia for the approval of the Governing Board.

The membership of the SAI of The former Yugoslav Republic of Macedonia to EUROSAI was approved.

6. Place and date of the next meeting of the Governing Board

Mr. Staderini, President of the SAI of Italy and new member of the EUROSAI Governing Board, offered to host in Rome the XXVII meeting of this Board, throughout the month of October 2003.

The Governing Board adopted this proposal.

7. Other items

7.1 Mr. Kovacs, President of a SAI of Hungary, spoke about the preparations of important events that will take place in Budapest, in 2003 and 2004, respectively.

He said thanks for the confidence shown by EUROSAI when supporting their candidacy for the organisation of such important events.

In relation to 50th anniversary of INTOSAI, year 2003, he explained how the event will be developed as far as the content of the subjects and planned speeches:

- During the working session of the INTOSAI Governing Board three speeches will be delivered on the following subjects: "The increasing role of INTOSAI in the processes of globalisation" and "The interpretation of the Lima Declaration".

- The subject to be developed in the commemorative event will be the following one: "Retrospective of the activities of INTOSAI during the last fifty years".

In relation to the celebration of the XVIII INCOSAI, the subjects will be fixed at the next meeting of the INTOSAI Governing Board. A draft programme is being prepared, as well as a WEB page is being designed. The Congress will take place in the "Congress Centre of Budapest".

Mr. Stepashin thanked him for the information provided and he wished him that the progress in the organisation of the events were successful.

7.2 Mr. Sekula, President of the SAI of Poland presented the candidacy of the SAI of Poland to host the VII Congress of EUROSAI in 2008.

Mr. Stepashin said that this preliminary request would be taken into account and he considered that it was quite interesting.

Mr. de Sousa showed his agreement with President Sekula on the need to plan events of such magnitude with sufficient time, also this candidacy was considered interesting by him, although he pointed out that the Statutes of EUROSAI stipulated two basic principles to be considered in the organisation and operation of EUROSAI, the geographic representation of the European States and the types or models of the SAI as far as its audit and jurisdictional function. He made an enumeration of the congresses held, Madrid, Stockholm, Prague, Paris, Moscow and the next one in Bonn, analysed the geographic location; the model of the SAI and concluded that, in his opinion, it had to be a country of the South of Europe like, Greece, Spain, Italy or Portugal that should host



the VII Congress of EUROS AI. He ended proposing the Governing Board to reflect itself on his speech and he added that, the SAI of Portugal, given the experience that they have in the organisation of events of international character, would present their candidacy to host the VII Congress of EUROS AI.

Mr. Stepashin thanked Mr. de Sousa for his observations and he said that this information, as well as the candidacies to host the VII Congress of EUROS AI, would be considered and they would be discussed in the next meetings of the Governing Board of our Organisation. The session was closed

CONCLUSIONS OF THE II EUROS AI-EURORAI CONFERENCE ON CO-OPERATION ON AUDIT OF HEALTH CARE (Copenhagen, 5-7 June 2003)

Background

The I EUROS AI-EURORAI Conference, held in Madeira in 2001 concluded that "further exchanges of experiences on substantial and professional issues (such as health, education, infrastructures...) appear to be desirable. EUROS AI and EURORAI will join their skills to fulfill these aims". The National Audit Office of Denmark (NAOD) offered to host the II EUROS AI-EURORAI Conference on co-operation on the audit of health care in Copenhagen. NAOD was supported in its preparation by a working group comprising representatives from supreme audit institutions (SAIs) and regional audit institutions (RAIs) of the United Kingdom, France, Spain, Portugal and Germany. 136 delegates from 28 SAIs (members of EUROS AI) and 25 RAIs (members of EURORAI) participated in the Conference.

Working together on the audit of health care was chosen as the theme because heavy health expenditure and a growing demand necessitate effective audit arrangements. As health care audits are divided between local, regional and national audit bodies, a necessary condition for an effective health care audit is co-operation between these audit institutions.

The Conference's sub-themes were "Co-operation between national and regional auditors on the audit of health care" and "Achieving change in the health sector" with emphasis on the analysis of substantial issues. The Conference opened

with an overview of the structures and funding of the health sector in Europe.

The II EUROS AI-EURORAI Conference made it possible for participating SAIs and RAIs to discuss and share experiences, discover new possibilities and challenges and to promote innovative co-operation strategies, leading on from similar exchanges of experiences during the I EUROS AI-EURORAI Conference held in Madeira in 2001 and the EURORAI Seminar on Hospital Audit in Rouen, 2003.

The knowledge, experiences and opinions expressed during the Conference are reflected in the following general conclusions. The full deliberations of the Conference are available in the Conference Report on the web-site www.rigsrevisionen.dk/EUROS AI-EURORAI.

General conclusions

1) EUROS AI and EURORAI continuously seek to create favourable conditions for strengthening the co-operation among SAIs and RAIs. Co-operation is based on the key issue of mutual understanding of the different legal and audit systems and for each others independence. The scope of co-operation may be gradual, in accordance with the level of integration between SAIs and RAIs, allowing them to co-operate to a greater or lesser extent as they may require.

2) The ownership, financing and audit of health care in Europe is organised dif-



ferently across Europe – a mix of national, regional, local and, to a lesser extent, the private sector activity. As the case-studies and discussions during the conference indicated, audit results can be improved by co-operation between the different audit institutions concerned. However, co-operation on the audit of health care between the majority of SAIs and RAIs is currently limited. SAIs and RAIs are therefore encouraged to liaise and to co-operate at all levels in the audit of health care.

3) Presentations from France, Italy, Russia, Spain and United Kingdom provided several examples of co-operation between national and regional auditors. In spite of institutional barriers, progressive co-operation has been developed as regards common methodological developments, planning procedures, regular meetings and joint audits. These have encouraged the sharing of knowledge and good practice to ensure the more efficient and effective use of audit resources, but there is scope to do much more.

4) In recent years, SAIs and RAIs have carried out several value for money audits. At the conference, SAIs and RAIs from Denmark, France, Hungary, Norway, Poland, Spain and the United Kingdom presented the outcomes of some of these examinations which focussed on audit development and achieving change in the health sector. The presentations demonstrated that in order to achieve changes and to make a difference in the health sector audits could for example include cost analysis, benchmarking, interrogation of information systems and performance indicators. In evaluating performance improvements in the health sector, the audit could "put the patient first" and focus on patients rights and prevention. The presentations indicated several important audit subjects and challenges and demonstrated that a co-operative approach between SAIs and RAIs concerned may improve the audit results considerably.



1/ Partial view II Conference
EUROSAI-EURORAI.

The way forward

5) For the proper audit of health care, it is important to have a local, regional, national and an international perspective. A national perspective may give a broader overview of the performance of health care as well as information about regional differences. It is possible to identify international best practices by extending co-operation between audit institutions in different countries.

6) Co-operation between all Audit Institutions is a key to developing standards and to increase transparency in the Health Sector, despite its high degree of technical and institutional complexity. Through co-operation Audit Institutions may thus contribute to improve consistency; accountability, financial sustainability and highlight variations in the Health sectors.

7) EUROSAI and EURORAI may wish to encourage further co-operation in the audit of health care, and other substantial professional issues. Adopting some of the following measures would extend and strengthen this co-operation:

- exchange of experiences, experts and information about audit methodologies;
- networking;
- training programs; and
- working groups, seminars and conferences on specific matters.



CONCLUSIONS OF THE EUROSAI TRAINING COMMITTEE

Pultusk (Poland), 24 June 2003

The EUROSAI training committee (ETC), consisting, according to the decision made in Madrid on 16 February 2000 by the governing board, of 8 members, namely Spain and France for the presidency, Portugal, United Kingdom, Czech Republic, Germany, Poland and Denmark, held a meeting in Pultusk (Poland) on 24 June 2003. According to the decision made by the Governing board in Copenhagen on 7 March 2002, SAI of Lithuania attended this meeting as an observer. Due to the agenda, representatives of IDI, SIGMA-OECD, the European Court of Auditors, SAIs of Hungary and of the EUROSAI presidency (SAI of the Russian Federation) were also invited to attend this meeting.

Mr Jacek Jezierski, Vice President of the Polish Supreme Chamber of Control, welcomed the participants on behalf of Mr Miroslav Sekula, president of the Polish Supreme Chamber of Control.

1. Adoption of the conclusions of the Lisbon ETC meeting and adoption of the draft agenda

The draft conclusions of the Lisbon ETC meeting were adopted. The draft agenda of the Pultusk meeting was adopted.

2. Training Strategy : finalisation of the questionnaire and next steps

Mr Perron, representative of the SAI of France, reminded participants of the previous steps (preliminary discussion in July 2002 in Madrid, consultation of ETC members at the end of 2002, "brainstorming" meeting in January in Lisbon, working in sub-groups till April, circulation of three successive versions of the draft questionnaire between May and June, taking into account remarks and suggestions).

Each point and wording of the last draft version of the questionnaire was dis-

cussed and, when necessary, amended, after reaching a consensus among participants.

- The SAI of France will send the last agreed version of the questionnaire to EUROSAI General Secretariat for the end of June 2003.

- EUROSAI General Secretariat will send the questionnaire to all members, with a deadline on 25 July 2003.

- Answers will be gathered and analysed by the SAI of France during August 2003.

- Results of this analysis will be sent to ETC members for comments in September.

- On that basis, a report presenting the answers to the questionnaire will be prepared by the SAI of France for the Governing Board to be held on 28 October 2003 in Rome.

3. Training activities

3.1. EUROSAI – IDI co-operation: situation and prospects

Mrs Geagea made a presentation on the current stage and next steps of the EUROSAI Long Term Regional Training Programme (LTRTP).

- Concerning the Phase I, aimed at SAIs of the candidate countries, the cycle was completed with the second and final Regional Audit Workshop held in Nicosia (Cyprus), from 3 to 14 February 2003. Training materials is available on CD-Rom for target SAIs.

- Concerning the Phase II, aimed at SAIs from the Balkan and eastern "non-candidate" countries, after the Strategic Planning Workshop held in Zagreb (Croatia) in November 2002, training activities will take place from Spring 2004 to Fall 2005, after preparation in 2003 (translation of course materials, selection of participants, recruitment of a Russian speak-



ing assistant, etc.). The first training activity (Course Design and Development Workshop) could be held in Bulgaria (to be confirmed). Funding of the phase II is not yet secured, but the Norwegian Government still express a keen interest, and a contribution is requested from EUROSAI budget, in accordance with budgetary decisions made during the 2002 Congress in Moscow. Except from the latter, no other funding sources were identified.

In addition to this presentation, Mrs Geagea confirmed IDI willingness to work more closely with INTOSAI working groups and committees, and to deliver Training activities derived from this collaboration into the different INTOSAI regions. For instance, co-operation with the INTOSAI public debt committee provided a basis for a five week training partnership in the OLACEFS region, benefiting to 24 auditors. Training materials from this workshop will be translated in English and then available for EUROSAI members. The same kind of co-operation is under way with the INTOSAI environmental working group.

3.2. *Training events : Results of the Seminar on Evaluation of internal control in Prague (26-28 May 2003)*

Mr Michovsky, representative of the SAI of the Czech Republic, provided information on the Seminar on Evaluation of internal control held in Prague (26-28 May 2003). This topic, very high on candidate countries agenda, is, as well, of up most importance in European union and a key element of current developments in the audit profession standards. As a consequence, the Seminar attracted more than 80 participants from 33 countries, as well as representatives from the EU Commission, the ECA and SIGMA. The seminar, moderated by experts from SIGMA and the ECA, was divided in five main blocks, including presentation of case studies and discussion panels.

Mr Michovsky reminded participants of the main conclusions of the seminar. All materials and presentations will be available on CD-rom, and on line, on the Czech Republic SAO web site (with a link from EUROSAI web site).

During the discussion, participants congratulated the SAI of the Czech Republic for the perfect organisation and high interest of contributions and discussion. However, even if these issues were smoothly dealt with, the attendance rate (> 80) observed for this seminar increases necessarily the logistics and cost burden for the host SAI, with the risk to change these professional events into more solemn conferences. Ways and means to maintain the "workshop spirit" of the Training events should be explored (limiting attendance? organising sub-regional workshops?...).

- In the context of the Training Strategy, lessons drawn from Training events already organised should be taken into account in defining the format and features of the next events.

- A certificate of attendance, co-signed by the hosting SAI and EUROSAI General Secretariat, will be sent to each participant in the Seminar.

4. Web resources

Ms Sorensen, representative of the SAI of Denmark, made a presentation of the draft layout of the EUROSAI website, prepared by the SAI of Denmark in consultation with the SAI's of France and Spain.

During the discussion, participants underlined the following points:

- keeping the web site up-to-date and lively requires human resources to activate and maintain information, react to questions, especially if the ambition of the web site is growing. EUROSAI General Secretariat would need some support to face this new stage of the web site.

- Due consideration to actual needs and real interest areas should be kept in mind while creating a new layout, trying to answer only to the questions raised by practice.

- The part of the web site devoted to relations with Universities should be clarified, and maybe limited to those with which a true co-operation is ongoing in the audit field; the language issue is also important, many Universities web sites offering information only in their native language;



– Final drafting of the design of the web pages has to be done, with the help of EUROSAI Presidency and General Secretariat. The convenience of including “welcome” pages on it was stressed.

- An amended version of the layout will be available for comments and suggestions in September 2003.

- The SAI of Denmark will present the layout to the next EUROSAI Governing Board meeting in Rome, in October 2003.

5. Information points

5.1. The CIPFA programme in the UK

Mr Bedwell, representative of the SAI of United Kingdom, made a presentation of the UK Chartered Institute of Public Finance and Accountancy's (CIPFA) scope and role, including information about training programmes which could be set up and proposed in Europe for public sector qualifications in accountancy and audit. As regards the audit qualification, this would be a post-graduate qualification - “Diploma in Public Sector Auditing”, based on modular syllabus covering the subjects of auditing principles, planning, risk and internal control, systems based approach to audit, audit management and specialised audit roles, management accounting for auditors and financial accounting for auditors. Training courses would be taught in-country; delivered by local staff/institutions, supported by CIPFA training staff as appropriate.

During the discussion, the questions of cost and working languages rose. Detailed information on the cost of the programmes may be provided by CIPFA. Regarding languages, all courses are designed to be conducted not in English, but with local languages, and on the basis of syllabus derived from local law.

5.2. Information on EUROSAI Working Group on environmental auditing

Jacek Jezierski, representative of the SAI of Poland, made a presentation of the current and forthcoming activities of the EUROSAI Working Group on environmental auditing. Now consisting of 23 members, the Working Group is very ac-

tive, both for initiating co-operative audits among its members (for instance in the field of water protection, with many parallel audits performed on MARPOL, OSPAR, Danube River and Helsinki conventions), as well as for exchanging experiences during plenary meetings or specific seminars. In 2003, in addition to the organisation in Warsaw of the VIII meeting of the INTOSAI Working Group on environmental auditing, many audit activities are scheduled (audit of the Black Sea convention, audit of the Basel convention, a joint unique report on MARPOL convention developed by the Dutch SAI with contributions from each participating SAIs). On the Training side, the Dutch colleagues will welcome in December 2003 a WG Seminar on waste management auditing.

5.3. Results of the EUROSAI-EURORAI conference on Health Care

Mr Pedersen, representative of the SAI of Denmark, gave some information on the second EUROSAI-EURORAI conference held in Copenhagen on the theme of health care on 5-7 June 2003. 136 participants from 28 SAIs and 25 RAIs attended the conference. Introduced by a summing up of the Madeira conference results, a synthesis of the EURORAI seminar held in Rouen, and an overview of the European landscape in the Health Sector made by a Danish lecturer, the conference offered many case studies on varied issues like experiences of co-operation, innovative audit techniques and approaches in this area, and adopted conclusions underlining the willingness to encourage further co-operation. All materials and contributions are available on the Danish SAI web site (www.rigsrevisionen.dk/eurosai-eurorai).

The results of the conference as well as the prospects for co-operation between SAIs and RAIs will be discussed during the next Governing Board meeting in Rome, 28 October 2003.

5.4. Activities in the acceding countries network

Mrs Hahn representative of the ECA, made a presentation on the activities of the working group on audit manuals set up by



the presidents of candidate countries SAIs, in liaison with ECA and SIGMA. 3 workshops are scheduled in 2003, the first one, on "auditing of IT systems" already held in Tirana from 11 to 13 June 2003. Moreover, the ECA have carried out audits of EU funds in co-operation with the SAIs of the acceding countries. Before and after these audits seminars were organised with support of TAIEX (the European Commission's Technical Assistance Information Exchange Office) to discuss the audit planning and the audit results.

During the discussion, Mr Shelyuto, representative of the SAI of the Russian Federation and Presidency of EUROSAI, indicated that, since 1995, the SAI of the Russian Federation has not received any

information about audits of TACIS funds performed by the ECA in Russia, if there were any. He expressed the readiness of the SAI of the Russian Federation to set up a joint audit of these funds with the ECA.

Mrs Lopes, representative of the SAI of Portugal, indicated that such co-operation was on going between the SAI of Portugal and the ECA, in various fields, and that further co-operation activities were in the pipeline.

6. Date and place of the next meeting

The SAI of Denmark kindly proposed to host the next ETC meeting, on 24 and 25 November 2003 in Copenhagen.

WORKSHOP ON RISK ASSESSMENT IN THE PLANNING PROCESS

Turkish Court of Accounts, Antalya 24 – 26 September 2003



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Following the decision by the Heads of the Supreme Audit Institutions of Central and Eastern European Countries, Cyprus, Malta and Turkey the workshop on Audit Planning and Risk Assessment was the sixth of a series of workshops in the area of Audit Manuals held during the years 2002 and 2003 that are organized by the SIGMA¹ program at the OECD and supported by the European Court of Auditors (ECA).

The workshop was hosted by Mr Mehmet Damar, the President of the Turkish Court of Accounts (TCA). The Co-Chairs for the Workshop were Cevad Gurur from the TCA, Neil Usher from the ECA and Nick Treen from SIGMA.

The workshop's goals were to facilitate the exchange of knowledge and practical experiences of current practices and standards for Risk Assessments in the planning phase so as to encourage the application of better methods and procedures in that area. Participants came from the SAIs of Albania, Bulgaria, Croatia, Cyprus, Czech Re-



The opening of the workshop: with Mr Mehmet Damar, President of the Turkish Court of Accounts, in the center, at his right Cevad Gürer, Head of International Relations Group of the Turkish Court of Accounts, and Neil Usher, Head of Division of the European Court of Auditors (on the left)

public, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovak Republic, Slovenia, Turkey, Denmark, Portugal, Germany, the UK, and the ECA.

¹ SIGMA is a joint initiative of the OECD and the EU, principally funded by the EU.

Over the course of the three days, the workshop participants heard various presentations on risk assessment. After introducing the scope of the workshop, Neil Usher from the European Court of Auditors presented the *Audit Risk Model* with its three components (inherent, control and detect risk) and its main impacts on audit work. In addition, Rolf Elm-Larsson from the National Audit Office of Denmark outlined the broad theoretical and scientific background of risk assessment and institutional risk management, referring to the practical use of risk management in modern government.

Practical experiences showed how SAIs already assesses risk in the audit process with a remarkable and valuable outcome. Miguel Pestana from the Portuguese Tribunal de Contas presented the use of risk models in the planning of defense sector audits. Elzbieta Matuszewska and Bozena Sulkowska indicated risk assessment in three types of audits in the Polish National Audit Office. The principles and the process of risk assessment in Cyprus were presented by Chrystalla Asimenou, Director of Audit in the Audit Office of the Republic of Cyprus. Ms Gül Nogay gave an overview on the experiences of Turkish Court of Accounts and a practical impression of a case study how well Istanbul is getting prepared for an earthquake. Further SAI experiences in the

field of risk assessment were provided by Rolf Elm-Larsson on the Danish National Audit Office and Neil Usher on the European Court of Auditors. Marcus Popplewell from the UK National Audit Office presented risk assessment in the context of value for money audits. The new IFAC exposure draft on audit risk and its implications for the financial audit methodology of an SAI was presented by Colm Dunne, an Ireland IFAC representative.

Following the daily presentations small subgroups, organised by Dieter Boeckem from the ECA, worked on the practical use of the risk model in SAIs as well as assessing inherent and control audit risks in a case study on a SAPARD Agency. Possible consequences of the IFAC exposure draft for the SAIs or SAI's relations with the audited bodies were also discussed in detail.

The presentations and further information on the workshop will be available on the web site of the Turkish Court of Accounts <http://www.sayistay.gov.tr/Audit-PlanningRiskAssessmentWorkshopTurkey/>, at SIGMA's web site <http://www.sig-maweb.org> or please contact Dieter Boeckem at the ECA at dieter.boeckem@eca.eu.int or Nick Treen and Mimi Bessarar at SIGMA at nicolasjohn.treen@oecd.org mimi.bessarar@oecd.org respectively for further information, explanation or documents.



SUMMARY OF THE DECISIONS OF THE XXVII GOVERNING BOARD OF EUROSAI (Rome - 28 October 2003)

On 28 October 2003, the Governing Board of EUROSAI held its XXVII meeting in Rome (Italy). The minutes of that meeting will be approved in the forthcoming Governing Board, to be held in Lithuania in September 2004, and they will then be distributed to all EUROSAI members as agreed by that Board. Nevertheless, it is considered to be of interest to provide some preliminary information on the main results of that meeting:

1. As general tasks, the minutes of previous meetings (on this occasion, the XXV

and XXVI) were approved and the Secretary General presented the report on the activities of EUROSAI for the period 2002-2003, the accounts and the financial report relating to the year 2002, and also the report drawn up by the EUROSAI auditors for that same period.

2. It was agreed to admit the SAI of Kazakhstan as a member of EUROSAI, with which EUROSAI now consists of 47 members, 46 SAIs and the European Court of Auditors. The succession of the *Riksrevisionen* (SAI of Sweden) instead of the

previous *Riksrevisionsverket* as a member of EUROSAI was also approved.

3. Information was provided on the different events held during the previous period and others pending to take place. An account was also given of the activities undertaken by the Working Groups:

- The SAI of Denmark reported on the results of the II EUROSAI-EURORAI Conference (Copenhagen, 5 and 6 June 2003), on “Cooperation in Health Auditing”.

- The SAI of the United Kingdom informed attendants of the steps being carried out for organising the III EUROSAI-OLACEFS Conference to be held in London from 11 to 14 May 2004, on “Auditing in the 21st century”.

- The SAI of Germany brought attendants up to date on preparations for the VI EUROSAI Congress (Bonn, 2005, confirming that its theme was to be “The Auditing of Public Revenues” and approving the creation of three Working Groups for the preparation of the corresponding sub-themes).

- The Presidencies of the EUROSAI Working Groups on “Environmental Auditing” and “Information Technology” presented their activities reports.

- Information was provided on the INTOSAI Working Groups related to “Strategic Planning” and “Laundering of Capital”.

4. In training matters, the EUROSAI Training Committee presented an activities report along with a report relating to the results of the preliminary study for the design of a Training Strategy for the Organisation commissioned by the V EUROSAI Congress.

For its part, the SAI of Hungary informed on the results of the II Training Event, held in Budapest in September 2002.

The SAI of Norway presented a report on EUROSAI-IDI cooperation, focused fundamentally on the Long Term Regional Training Programme (LTRTP). With the aim of providing financial support for Phase II of that Programme approval was given to a subsidy of 110,000 euros for the INTOSAI Development Initiative (IDI), charged to the EUROSAI budget for 2003-2005; a sum that represents 7% of the total cost of the LTRTP. This financial contribution will be paid out at the rate of 40,000 euros a year in 2003 and 2004 and 30,000 euros in 2005, with approval being given to a specific procedure for its justification.

5. The SAI of Denmark presented suggestions for updating the format of the EUROSAI website.

The Secretariat General of the Organisation also reported on the results of the study carried out in relation to the format and content of the EUROSAI Magazine, highlighting the general satisfaction that there is regarding it.



Group Photograph of the XXVII EUROSAI Governing Board Meeting.

6. Approval was given to the proposal presented by the SAI of the Russian Federation for the preparation of a book on "The Present and Future Situation of Independent External Control in Europe", which is going to include contributions from all members of EUROSAI and will be published in order to coincide with the VI Congress of the Organisation.

Backing was also given to the initiative presented by the SAI of Portugal to hold a Conference on the jurisdictional role of the SAIs within the scope of EUROSAI.

7. In the forthcoming EUROSAI Congress, the Governing Board will be presenting the proposal of the SAI of Poland to host the VII Congress of the Organisation, taking place in 2008.

EUROSAI ACTIVITIES IN 2003

• MEETING OF THE TRAINING COMMITTEE

Lisbon (Portugal), 20 to 22 January 2003

• **3RD TRAINING EVENT** on "Evaluation of Internal Control"

Prague (Czech Republic), 26 to 28 May 2003

• EUROSAI-EURORAI CONFERENCE

Copenhagen (Denmark), 5 and 6 June 2003

• MEETING OF THE EUROSAI TRAINING COMMITTEE

Warsaw (Poland), 23 and 24 June 2003

• XXVII MEETING OF THE GOVERNING BOARD OF EUROSAI

Italy, 28 October 2003

• **IX MEETING OF THE EUROSAI TRAINING COMMITTEE**, Copenhagen (Denmark), 24 and 25 November 2003

• **III SEMINAR OF ENVIRONMENTAL AUDITING** on "The Auditing of Waste Management", The Hague (Netherlands), 9 to 11 December 2003. Following which, the **FIFTH MEETING OF COORDINATORS AND SUBCOORDINATORS OF THE ENVIRONMENTAL AUDITING WORKING GROUP** was held



EUROSAI AGENDA 2004

• **PREPARATORY MEETING OF THE VI EUROSAI CONGRESS**, Bonn (Germany), 20 January 2004

• **II MEETING OF THE INFORMATION TECHNOLOGIES WORKING GROUP**, Bern (Switzerland), 28 to 30 March 2004

• **III EUROSAI-OLACEFS CONGRESS**, London (United Kingdom), 11 to 14 May 2004 on "Auditing in the 21st century"

• **X MEETING OF THE TRAINING COMMITTEE**, Vilnius (Lithuania), 7, 8 July 2004

• **XXVIII MEETING OF THE GOVERNING BOARD OF EUROSAI**, Vilnius (Lithuania), 7 September 2004

• **IV SEMINAR OF ENVIRONMENTAL AUDITING**. Following which, the **SIXTH MEETING OF COORDINATORS AND SUBCOORDINATORS OF THE ENVIRONMENTAL AUDITING WORKING GROUP** will be held, Sofia (Bulgaria), November 2004

NEWS ON EUROSAI MEMBERS

AUDITOR GENERAL OF ESTONIA

The *Riigikogu* appointed Mr Mihkel Oviir as the Auditor General on February 25, 2003. Auditor General started his five-year term on April 1st, 2003 by taking the oath of office before the *Riigikogu* (the Parliament).

Mr Mihkel Oviir has stressed the importance to establish and maintain good working relations between the State Audit Office and the Parliament, its Committees and the Government to enhance the auditing effectiveness.

He will pay major attention to improvement of internal control systems in public sector and to assist in development of the model of external audit of local governments. The efficiency of the State Audit Office will be guaranteed by high quality of audits, professionalism and dedication of the staff.

Mr Mihkel Oviir was born on October 11, 1942. In 1975 Mr Oviir graduated the

Faculty of Law of Tartu University *cum laude*. He started his professional career in the Ministry of Justice already during his studies in the University and worked in the Ministry for 30 years; for the last 10 years he had assumed the position of the Secretary General of the Ministry.

Before being appointed the Auditor General Mr Mihkel Oviir worked as the Deputy Legal Chancellor-Advisor of the Republic of Estonia.

Mr Mihkel Oviir appears to be one of the founding members of Estonian Association of Lawyers and was the first President of the said organisation. Today, Mr Oviir is the member of the Council of Estonian Association of Lawyers.

In 2001, the President of the Republic awarded Mr Mihkel Oviir with the III class Order of the White Star.

Mr Mihkel Oviir is married and has 3 daughters.



Mihkel Oviir.



European Union

2002 ANNUAL REPORT

On the 18 November 2003 the European Court of Auditors published its Annual Report 2002.

The Court is of the opinion that the 2002 accounts of the European Communities prepared by the Commission faithfully reflect the revenue and expenditure and the financial position of the Communities at the year-end, except for some shortcomings caused by weaknesses in the design of the accounting system. The Court welcomes the action plan for the modernisation of the accounting system adopted by the Commission at the end of 2002, which is expected to become fully effective in 2005. However, if the Commission is to implement all the in-depth reforms necessary, this timing may be over-ambitious. The Court is of the opinion that the transactions underlying the accounts are legal and regular in respect of own resources, commitments, administrative expenditure and pre-accession aid, although supervisory systems and controls should be improved in the latter case.

In the case of **agricultural policy**, payments were affected by significant errors, which mostly occurred at the level of the final beneficiary. In the 14 Member States which have satisfactorily implemented the Integrated Administrative and Control System (IACS), expenditure on arable crops is the lowest risk category of CAP spending and is subject to the most effective control system. However, payments of animal premiums to farmers, although IACS checks are satisfactory, show a higher risk of error due to animal movements and complex regulations. The other categories of expenditure not subject to IACS are exposed to greater risk, and controls are less efficient. These categories amount to 42% of total agriculture payments and include subsidies for olive oil, cotton, tobacco and dried fodder, rural development, intervention measures and export refunds.

For **structural measures**, an improvement was noted in the supervisory systems and controls operated by the Commission. However, there are persistent deficiencies in the control systems operated by Mem-



Presentation by Mr Juan Fabra Vallés of the 2002 Annual Report at the plenary session of the European Parliament in Brussels, 4 December 2003.

ber States, who administer the bulk of the funds. Problems were found with the regulatory control systems certifying the final expenditure declarations covering the period 1994-1999, due largely to the late introduction of the governing regulation. The systems covering the 2000-2006 period are more effective; however, the Court found the same type of errors as in previous years, in particular declarations of ineligible costs.

As regards **internal policies**, the payments are still affected by significant errors. The Commission undertook a considerable number of audits of projects, which identified errors such as over-declaration of costs by final beneficiaries. However, the follow-up corrective action was not rigorous and the recovery of undue payments was slow. The errors in the research field stem to a great extent from the existing rules governing the Research Framework Programmes, which need, therefore, to be modified.

In the case of **pre-accession aid**, the errors identified did not have a significant impact. Nevertheless, as the date for accession approaches, it is necessary to further improve the supervisory systems and controls. Concerning Ispa (structural measures), the Commission should improve the methodology for its audits; for Sapard (rural development programme), the Commission should step up checks in the beneficiary countries to verify that systems are working as approved. The implementation of the Sapard programme was still slow: after three years of operation, only 2% of the available funds had been transferred to final beneficiaries.

In respect of **external actions**, the Commission's control systems were found to be adequate both in the central services and at the Delegation offices in third countries. However, the problems noted in the past are still persisting at local level and errors of regularity were found in the bodies responsible for carrying out development projects. These errors usually involve contravention of contract provisions, particularly tendering rules, a lack of supporting documentation and funding of ineligible expenditure.

Implementation of the **European Development Funds** continued to be slow; the 3-year delay in the entry into force of

the Cotonou agreement will cause further delays. One alternative might be to include the EDF in the Community General Budget. The EDF accounts were found to be reliable and the underlying transactions were legal and regular; however the Court cannot give an opinion on the use of direct budgetary aid by the ACP countries, which is controlled according to national, rather than EDF, procedures.

The Court's audit found no important failures in the control systems or material errors affecting the legality or regularity of **administrative expenditure**. The European Parliament has made significant progress as regards the management of the political groups' expenditure; however, it is necessary to clarify the legal status of the groups and to improve the management of the employment contracts.

When examining Community **revenue**, the Court found that the VAT and GNP resources were being correctly calculated. However, the Commission should strengthen its control of the reliability of the data communicated by the Member States. As in the previous two years, there was a significant **surplus of revenue over expenditure**; it amounted to 7.4 billion euro, compared with 15.0 billion euro in 2001. The surplus was mainly due to under-use of appropriations in structural measures, where Member States systematically overestimated the funds required for implementing programmes. The Commission should introduce appropriate budget modifications before the year-end to enable revenue to be adjusted to expenditure.

The Court notes substantial progress in the Commission's implementation of **administrative reform**. The annual activity reports and declarations of the Directorates-General have improved; however Directors-General should provide more precision on their reserves on the effectiveness of internal control systems and better describe the deficiencies detected. Although progress has been made, the standards for internal control were still not being fully applied to the minimum level throughout all Directorates-General by the end of 2002; to reach this level is a matter of urgency. Difficulties are being encountered in the implementation of the reform in the areas of expenditure where the Commission and Member State administrations share management. This concerns more than 80% of the budget



and involves agricultural policy and structural measures. Progress in these areas depends on making improvements in the administrative and control systems set up by the Member States. Finally, in order to improve transparency and monitoring of the reform process, the Court recommends the Commission to update the 2000 White Paper on administrative reform, to revise the timetable and to consolidate the list of outstanding issues.

Since its last Annual Report, the European Court of Auditors has issued 13 Special Reports as well as 6 Opinions covering different aspects of EU finances and management issues.

2002 Annual Report in full: <http://www.eca.eu.int/EN/RA/2002/ra02.htm>

Summary of the 2002 Annual Report: <http://www.eca.eu.int/en/noteinfo/2002/nira02.pdf>

SPECIAL REPORTS PUBLISHED IN 2003

The European Court of Auditors has published the following Special Reports in 2003:

1/2003 on the prefinancing of export refunds

The Court concluded that the prefinancing of export refunds system is complicated, time consuming and expensive to administer and control, much of which is due to the complex regulatory framework. The system is cumbersome when goods are processed prior to export and information used for monitoring processing is not reliable. Prefinancing often plays a role very different from that foreseen when the system was established. The Court recommended that the system be reviewed and consideration given to its removal.

2/2003 on the implementation of the food security policy in developing countries financed by the general budget of the EU

The Court found that the strategies for implementing a long term food security policy in a number of recipient countries were not integrated in coherent national strategies but run as separate development programmes. Reliable information on the situation of food security was not available in the countries audited, and the statistics produced by the national services were inadequate. Information on the implementation of the programmes was not readily available at the Commission. The Court recommended that the concept of food security be integrated in the Commission's overall development policy, and single overall strategies and programmes should be developed for, and by, the recipient

countries. The Council Regulation should be consolidated and simplified. The Commission should provide support to developing countries for producing reliable base-line information and continue to focus its efforts on capacity building and institutional support.

3/2003 on the Invalidity pensions scheme of the European institutions

The Court found that the rate of invalidity retirement remained stable over the previous 15 years and that the pensions awarded were justified. However, retirement on invalidity grounds is more common in some grades than normal retirement and frustration is a significant element in demotivating staff. Shortcomings were found concerning the overall policy and management of absences due to illness and the Court found that a number of early retirements could have been avoided if adequate prevention and treatment measures were taken in good time. The Court recommended establishing adequate measures for prevention and early treatment as well as an overall policy for dealing with all stages of illness and invalidity.

4/2003 concerning Rural development: support for less-favoured areas

In its audit of less-favoured areas (LFAs) grants, which help 55,8 % of the EU's agricultural holdings, the Court's found that the Commission has insufficient evidence to prove the validity of classification as LFAs and Member States use a wide range of indicators to determine whether an area is less-favoured or not, leading to disparity of treatment among beneficiaries. There is no consistent defin-



ition of good agricultural practice which is a key eligibility requirement. The Commission has no adequate information on the impact of the measure increasing the risk of over-compensation, nor has an overall evaluation of the scheme been undertaken. The Court recommended a complete review of the classification of all LFAs and the preparation of appropriate indicators, information on the impact of the scheme and the clear definition of key concepts.

5/2003 on PHARE and ISPA funding of environmental projects in the Candidate Countries

The Court found that the Commission’s assistance to support institution-building in the environment sector has been only partially successful and there remains a need for Candidate Countries to strengthen their administrative capacities to comply with the environmental *acquis*. The reasons included the limited funding committed to institution building and the modest impact of the Twinning and technical assistance projects funded. Too much reliance was placed on the Twinning instrument and the Candidate Countries lacked the capacity to develop environmental and financing strategies in good time thus failing to identify priority projects and the most efficient ways to finance them.

6/2003 on Twinning as the main instrument to support institution-building in Candidate Countries

In assessing the effectiveness and efficiency of the implementation of the Twinning instrument the Court found that significant progress had been made in the adoption of the Community law, but less in its implementation and enforcement. The “guaranteed” results were often only partially achieved and subject to delays. The interaction of the numerous public administrations involved creates administrative complexity which reduces efficiency and effectiveness, by diverting resources to administrative issues rather than institution-building. There was a tendency to over-emphasise Twinning to the detriment of other, potentially more suitable, mechanisms.

7/2003 on the implementation of assistance programming for the period 2000-2006 within the framework of the Structural Funds



Auditors of the European Court of Auditors on audit mission in Spain.

The Court’s audit found that the criteria used to determine the eligibility of areas were not sufficiently objective leaving scope for bilateral negotiation between the Member States and the Commission, and the procedures for the approval of operational programmes were highly complicated and resulted in extensive delays. The Commission’s guidelines on planning and management were inadequate and management and control systems in Member States were often deficient. Eligibility rules were incomplete or imprecise. The Court recommended an improvement in the quality of the methodological guidelines, a better division of responsibilities, a reduction in the administrative burden and continued efforts on simplification.

8/2003 on the execution of infrastructure work financed by the EDF

The Court found that shortcomings in the design and implementation studies were the source of many the implementation problems found. The absence of quality control of the studies caused contracts to be based on partially incorrect or unrealistic terms and conditions resulting in changes needed during implementation. The changes were inadequately managed causing delays, adding costs and in some case changing the scope. The Court recommended that the Commission should provide a more definite framework for the initial studies, introduce effective quality control and increase consultants’ accountability, attach more importance to the justification for changes while works are in progress, and provide more support to the beneficiary countries.



9/2003 on the system for setting the rates of subsidy on exports of agricultural products

It found that the information used by the Commission to set refund rates was not always complete or up-to-date. For some product sectors the difference between the EU and world market price quotations was calculated, but could not be systematically linked to the calculation of refund rates actually set. There were no guidelines setting out procedures to be followed nor systematic evidence of management checks on the rates set. The way the Commission set refund rates was insufficiently clear particularly for beef, milk products and, to some extent, cereals. The Commission is in the process of making a number of changes, based on the Court's audit, designed to make procedures clearer, to improve documentation and to facilitate management control.

10/2003 on effectiveness of the Commission's management of development assistance to India in targeting the poor and ensuring sustainable benefits

The Court concluded that the Commission's management had been reasonably successful in targeting the poor and in addressing sustainability for the majority of the projects/programmes audited in India however more systematic attention throughout the whole life of projects/programmes could have improved the results and that the time estimates for implementation were optimistic. The opportunities afforded by a sector-wide approach to development have not materialised since only the EC follows this approach. The Court recommended that targeting the poor and sustainability should be given more systematic attention throughout the life of a project/programme, sufficient time should be planned for implementation of projects and programmes and the Commission should address important issues such as agriculture and natural resources management in its new EC-India country strategy.

11/2003 on management of the Financial Instrument for the Environment (LIFE)

The Court found the objectives of LIFE to be very broad and inadequately

defined. It identified numerous implementation difficulties including insufficiently supported expenditure, the reimbursement of salaries of civil servants financed by public budgets and failure by beneficiaries to ensure adequate financial and accounting arrangements for projects. A large number of Commission payments was affected by substantial delays and monitoring was inadequate. The Court recommended that LIFE's objectives be better defined, evaluation of the project proposals be carried out by outside experts for all strands of the programme and the administrative provisions concerning implementation of the actions be reviewed in order to achieve a better definition of eligible costs.

12/2003 on the sound financial management of the common organisation of the market in dried fodder

The Court found that the 1995 reform had been successful in keeping overall expenditure within budget. The rates of aid set by the Council were higher than those recommended by the Commission and which encouraged processors to switch from sun drying to artificially drying fodder. There was a lack of clarity in Commission regulations which created opportunities for different interpretations and practices in Member States. Despite the support to the industry dried fodder remains of limited economic significance in the EU. In June 2003 the Council decided to reduce the aid paid on processing and transfer part of the aid to another scheme.

13/2003 on the production aid scheme for cotton

The Court found that failings in the operation of IACS in Greece hampers effective management by the Member State and monitoring by the Commission. There is insufficient monitoring by the Commission of the impact of cotton production on the environment and the Commission is unaware of the effectiveness of the incentive given to the ginner to improve the quality of the cotton produced. The Court recommended that the Commission should take the opportunity of the proposed reform of the scheme to address weaknesses identified.



On the Committee of State Control, SAI of the Republic of Belarus

ARKADIY SALIKOV

Vice-President of the Committee of State Control of the Republic of Belarus

In recent years, the SAI of the Republic of Belarus has undertaken a difficult task of searching for and preparing radically different approaches in the field of financial and economic control of our State's budgetary activity, for this purpose taking advantage of the experience of foreign countries.

As an independent and sovereign country, the Republic of Belarus is relatively young but dynamic. The country's leadership has opted for the path of gradual transformations and improvements which includes the modernisation of the national economy in accordance with the current trends of world economic development. This option is based on a rational combination of regulating functions of the State orientated towards creating certain conditions favourable for development with the mechanism of the market called upon to shape the economic fabric of the country. In the phase of formation of new economic relations, the importance of State control becomes increasingly great.

In recent years, the SAI of the Republic of Belarus has undertaken a difficult task of searching for and preparing radically different approaches in the field of financial and economic control of our State's budgetary activity, for this purpose taking advantage of the experience of foreign countries.

The Committee of State Control of the Republic of Belarus was constituted by Decree of the President of the Republic on 5th December 1996. The legal regime of the Committee is defined in the country's Constitution and its authorities and activities are regulated by the Act of the Committee of State Control of the Republic of Belarus of 9th February 2000.

This Act defines the Committee of State Control as a body in charge of State control over compliance with the budget of the Republic, use of State assets and compliance with the laws issued by the President, Parliament or Government within the scope of the public sector with regard to

relations of an economic, financial or fiscal nature. The joint Managing Board of the Committee studies the most important problems of public control that demand reflection and coordinated solutions. The Committee develops its activities in a way that is transparent and open, based on rigorous compliance of the law, and defence of the interests of the State and of the rights and freedoms of citizens.

The most important orientations of the Committee's controlling action are the following:

- control over compliance with the central and local State budgets;
- control over the efficient end use of public funds and goods;
- control over the activities of banking, the stock market, insurance companies and non-banking financial institutions;
- control over the legality of foreign trade activities;
- control over the state of industry and agriculture.

The Committee is made up of ten directorates-general and four autonomous directorates of the central apparatus, the Financial Investigations Department, as well as committees of state control and directorates of the Financial Investigations Department for the six provinces of the Republic of Belarus.

The incorporation of the Financial Investigations Department, in charge of fighting against corruption and economic and financial crime, into the organisation of the Committee for State Control, which took place in September 2001, enormous-

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ly facilitated the detection of irregularities and abuses in the use of public funds and goods, thereby increasing efficiency in the prevention of economic crime.

The Committee regularly reports to the President, to the Government of the Republic of Belarus and to the central and local authorities on the results of its activities and of the measures taken on the irregularities that have been detected. Among the most wide-ranging activities that have taken place in 2002 can be mentioned the audits conducted on fuel and electrical energy supply companies, banking institutions, bodies belonging to the health and public services system, and verification of compliance with the Programme of upgrading the agroindustrial complex of the Republic of Belarus for the years 2001-2005.

In accordance with current legislation, the SAI of the Republic of Belarus possesses the legal capacity for gathering sums owed to the Public Treasury on the basis of the results of its audits, and for imposing fines and penalties on companies due to irregularities committed. In the period from January to October 2002 the units of the Committee of State Control managed to gather money and material goods for the Treasury amounting to the equivalent of 38.6 million dollars.

In the same period, and based on the results of audits conducted by the Committee of State Control, the State security bodies and forces of the Republic of Belarus instigated 194 criminal proceedings.

Apart from audits, the Committee also carries out considerable analytical work promoting the adoption of regulating norms on economic and financial relations.

In just the first ten months of 2002 the Committee of State Control of the Republic of Belarus submitted to expert assessment 617 draft norms drawn up and presented by various different public bodies.

Within the Committee, great importance is granted to the defence of the constitutional rights and legitimate interests of citizens, to improvements in dealing with their proposals and requests and to the detection and neutralisation of the main causes forcing citizens to turn to the central administration. From January to October 2002, the Committee received requests from more than twelve thousand people, which demonstrates a high degree of confidence that Belarussians have towards this organisation.

The press, radio and television regularly report on the work carried out by the Committee. During the first ten months of 2002, the information media devoted a total of 4,389 news items on Committee audits, distributed between articles and informative reports on radio and television.

By way of conclusion, we can highlight that, by becoming a full member of EUROSAI in March 2002, the Committee of State Control of the Republic of Belarus thereby demonstrates its desire to develop cooperation with all members of this prestigious organisation by means of the exchange of information, professional experience and methodology in the field of auditing, as well as by means of the training and exchange of experts, all this in order to promote the study of the particular features of financial audits in the various SAIs of Europe.

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Main aspects of control over the use of public funds by the Court of Audit of Ukraine

V.K. SIMONENKO

President of the Court of Audit of Ukraine

One of the most important objectives of the Court of Audit of Ukraine consists of ensuring the systematic nature of the control over compliance with the State Budgets and non-budgetary public funds within the framework of a single cycle lasting three years, which includes the a priori control of the draft budget for the following year, current control during the fiscal year and a posteriori control of compliance with the budget for the preceding year.

The Constitution of Ukraine sets down that “control over the use of public funds is carried out by the Court of Audit on behalf of the Supreme Rada of Ukraine”.

The activities of the Court of Audit of Ukraine, consisting of controlling the correct use of public funds, are regulated, apart from by the Constitution, also by the Budgetary Code of Ukraine, Acts of the Court of Audit and other regulations in force.

In accordance with article 110 of the Budgetary Code of Ukraine, the Court of Audit is obliged to control:

- 1) the use of public funds pursuant to the provisions of the State Budget Act;
- 2) the formation, servicing and cancellation of the public debt;
- 3) the effectiveness in the use and management of public funds;
- 4) the use of public funds for financing the competencies of local authorities and the exercise of the powers delegated to local bodies of self-government by the executive power with regard to revenues and expenditure.

Apart from that that stated above, the Court of Audit Act grants to this body the functions of controlling the quarterly distribution of revenues and expenditure in accordance with the indicators of the State budget, effectiveness in the management of public funds by the Public Treasury of Ukraine, the legality and appropriateness of the movement of public funds not form-

ing part of the State budget, and the financing of national programmes for economic, scientific-technical, social and cultural development approved by the Supreme Rada of Ukraine.

One of the most important objectives of the Court of Audit of Ukraine consists of ensuring the systematic nature of the control over compliance with the State Budgets and non-budgetary public funds within the framework of a single cycle lasting three years, which includes the a priori control of the draft budget for the following year, current control during the fiscal year and a posteriori control of compliance with the budget for the preceding year. This system means that, each year, the Chamber is working on the budgets for three years and that the budget for each year passes through three auditing stages.

In order to analyse and check compliance with the State budget (both for the current year and for the past year) the Court of Audit has to base itself on the accounts which reflect compliance with the budget.

The body in charge of consolidating, formulating and presenting the State accounts is the Public Treasury of Ukraine. This same institution, in coordination with the Court of Audit and the Ministry of Finance of Ukraine, establishes single standard accounts (monthly, quarterly and annual). In the same way, the standard accounts reflecting compliance with local budgets are also established.

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With the aim of carrying out control over compliance with the State budget, the Public Treasury of Ukraine provides the Court of Audit with the monthly and quarterly accounts of the State. The deadlines are the 15th of the following month for the monthly accounts and 35 days following the end of the quarter for the quarterly accounts.

Applying a uniform methodology, the managers of the public funds formulate and present detailed accounts including balance sheets, management reports, operating accounts and other data as determined by Ukraine legislation.

Also, in compliance with the requisites of the Budgetary Code of Ukraine, the fiscal bodies must provide the Court of Audit, within periods similar to those for presenting the quarterly accounts, with information on revenues lost due to tax benefits, amounts of debts restructured and cancelled, and amounts of payments distribute and deferred. Data of a monthly nature is provided prior to the 12th of the following month.

In order to conduct the analyses, use is also made of data obtained from audits, analytical activities and assessments made by the different departments of the Court of Audit, as well as analytical information from the Ministry of Finance, the National Bank, Ministry of Economy and European Integration, and the State Committee for Statistics of Ukraine.

According to the Budgetary Code of Ukraine, the institution in charge of presenting the annual report on compliance with the State Budgetary Act is the Ministerial Cabinet of Ukraine, which provides it for the Supreme Rada prior to the 1st May of the year following the fiscal year forming the object of the report. Within the same period of time, the report is also made to reach the Court of Audit.

A particular feature of legislation in force in Ukraine, especially the Budgetary Code of Ukraine, in force since June 2001, means that the Court of Audit has a genuinely short period of time in which to assess compliance with the budget.

The Court of Audit has to present its opinion on that compliance in a period no greater than two weeks from the date on which the annual report officially present-

ed by the Ministerial Cabinet reaches the Chamber. Once the opinion from the Court of Audit has been delivered to the Supreme Rada, a further period of two weeks is opened so that the latter can submit the report from the Ministerial Cabinet to its approval.

During the plenary session of the Supreme Rada devoted to deliberating on compliance with the State Budgetary Act, the President of the Budgetary Committee of the Supreme Rada and the President of the Court of Audit intervene as co-speakers.

In this manner, the entire process, starting from the presentation by the Ministerial Cabinet of its report on compliance of the State Budget up to the speeches from the representatives of the Government in the plenary session of the Supreme Rada of Ukraine and the adopting of the corresponding decision by the Rada, takes place quickly (i.e., in four weeks), in spite of the fact that there still remains a long time before the debate on the draft budget for the following year takes place.

It can be emphasised that the Budgetary Code of Ukraine provides (starting from the year 2002) for the fact that over-compliance of the revenues budget must be established, in accordance with the opinion presented by the Court of Audit for the first three quarters, when the revenues forecasted in the budget for this period are exceeded by more than 15%. These conclusions must be budgeted for to the Budgetary Committee of the Supreme Rada of Ukraine prior to the 15th October of the fiscal year to assess.

In its turn, the Ministerial Cabinet of Ukraine has two weeks (starting from the publication of those official conclusions) for presenting the Supreme Rada of Ukraine with the Draft Bill for the introduction of modifications to the State Budgetary Act.

The results of practically all the audits conducted by the Court of Audit are borne in mind and used in the analysis and in the preparation of the conclusions on compliance with the State budgets for the year, the first quarter, the first half-year, and the first nine months of the current year.

As a general rule, the analysis of compliance with the State budget which the

The institution in charge of presenting the annual report on compliance with the State Budgetary Act is the Ministerial Cabinet of Ukraine.



Court of Audit presents to the Supreme Rada of Ukraine is based on the searching and detailed examination of the following aspects: budgetary policy and economic situation in Ukraine, compliance with the State budget in general with a breakdown into revenues and expenditures, compliance of the budgetary discipline, compliance with the requisites of the special reserve of the State budget, financing of the State budget of Ukraine and evaluation of the public debt and compliance with local budgets.

In 2001 alone, the results of audits conducted by the Court of Audit were analysed in 29 meetings of 10 committees of the Supreme Rada.

Also, as a result of that analysis, the conclusions of the Governing Board of the Court of Audit on compliance with the State budget for the corresponding fiscal year are drawn up and published.

Basing itself on the results of the analysis of compliance with the State budget, both for the current year and for the past one, the Court of Audit not only checks the facts detected concerning irregularities in the use of public funds, it also specifies the causes originating those irregularities and determines ways to overcome them and prevent them in the future.

The realities of economic and social development of Ukraine, the requirements for improving its budgetary, financial, fiscal and banking system, in turn impose an improvement of the procedures and methodologies of the Court of Audit, a more complete utilisation of the experience already gained, searching for and stimulating all the resources for elevating the quality of the audits, analyses and assessments.

It is worth while highlighting some of these problems, especially those related to control over compliance with national programmes, outside audits, demarcation of competencies, and functions of the audit bodies, as well as such a burning problem as corruption, particularly for transition economies, which affects all phases of the budgetary process.

In Ukraine, large sums of money are being spent on activities of the most varied kind. The decisions that are taken by the managers of government programmes

(around 230 right now) must be based on feasibility studies.

One of the most important aspects in controlling compliance of those programmes is what is known as “programmes analysis”. This analysis has to be done on the basis of certain methodological instruments and then be completed by “policy analysis”, “programmes evaluation” and other novel procedures. These procedures form part of the methodology of programmes and objectives (which are implemented simultaneously with the structuring of the programmes themselves and the implementation of the management systems by programme and objectives).

It can be highlighted here that, as with other scientific elements forming part of the methodology of programmes and objectives, analytical methods are to a large degree only prepared at the theoretical level, and do not exert any real influence in attaining truly rational solutions for the programmes. Transition economies need not just an analytical methodology but also a methodology of rationalisation for the drawing up of programmes.

A study would also have to be made of the possibilities that exist for providing transition economies with mathematical methods and models permitting them to assess the feasibility of their national programmes. This is very important given that the models which reproduce the problem to study permit an infinity of factors to be taken into consideration, precisely and consistently, along with carrying out processing of large quantities of information, defining crucial characteristics of the systems, drawing up quantitative evaluations of the parameters studied and comparing alternative solutions.

For our SAI, the obtaining of data relating to compliance and the concrete results of State programmes continues to be important, as is data on the effectiveness of use of public funds and of the decisions taken by the managers. If the analysis of the programmes covers the study of alternative variants only in the planning stage, their evaluation will be concentrated on the study of the effectiveness and efficiency of the programmes in progress or already finished.

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And in order to evaluate the effectiveness (both of the use of funds and of the decisions taken by the managers), it is necessary to have criteria, for the preparation of which we are certainly going to need the help of EUROSAI. It is essential to compare the evaluation criteria of different countries, to analyse them and generate recommendations for their preparation and application.

Furthermore, the evaluation of the programme and the conclusions of the audits must help to redistribute the resources in time and correct the objectives of the programme, prepare reports on real expenditures in carrying out the programme, determine the degree of achievement of the programmed objectives, assess the effectiveness of the management system of the programme and put forward proposals that will help to improve their functioning.

The managers of public funds must resolve the no less important task of distributing allocations among programmes and also among different ministries involved in their execution. As methodological instruments for these ends, the different modifications of the so-called "programmes analysis" are used. Nevertheless, problems in detecting the real results of programmes and of the actions necessary for correcting their functioning remain unresolved. Methodological developments are needed on these problems and here too we would also like some help from EUROSAI.

The scarcity of developed methodologies, insufficient financing of these studies, as well as the lack of "demand" for the results of these evaluations on the part of top government officials lead to the evaluation of the programmes being perceived as a function that is hardly acknowledged. It is, so to speak, "terra incognita" of public management.

It is becoming increasingly evident that there is a need for a systematic measuring of the real results of government activities related to the use of public funds. But without a legislative framework, this problem is impossible to solve.

Under conditions of major budgetary deficits, the application of the methodology of evaluation orientated towards the real effectiveness and efficiency of programmes can reap great benefits for society. The evaluation of the programme

is the instrument that would permit low-output programmes to be eliminated once this parameter has been quantified.

The legislation in force in Ukraine establishes a list of organisations that carry out certain functions and tasks concerning public control. Nevertheless, we have to admit that their tasks and competencies are not yet demarcated in a sufficiently tight way. Nor is there any clarity in the problem of interaction among the control bodies and between them and the audit institute which develops its activities outside the public audit system.

The lack of coordination of activities by the control bodies, along with the absence of a sole methodological and informative base affects the effectiveness of the task, making it more difficult to achieve the common objective. And it is not just a matter of the forces of the controlling bodies being dispersed due to a lack of coordination: the fact that these bodies have different objectives means that they can act on the same data and in accordance with the same principles (effectiveness, legality, total coverage) yet they can still arrive at (and in fact they do arrive at) completely different conclusions.

Moreover, nor is it possible to ensure total coverage with such scattered means. Only a coordinated effort of all the control bodies, based on mechanisms of proven viability, can help to achieve this objective. A fundamental contribution to the creation of such mechanisms would be the development of the doctrine of the auditing of public accounts within the framework of EUROSAI.

The problem of corruption in all stages of the budgetary process is another stumbling block that is difficult to overcome for transition economies.

When it comes to conducting their audits and analytical activities, experts from the Court of Audit of Ukraine encounter a high degree of corruption in virtually all the budgetary spheres. This refers to ministries, departments and other bodies of the central and local executive powers, and also to the direct beneficiaries of public funds.

The results of audits held by the Court of Audit of Ukraine reveal that the executive power frequently replaces the bud-

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getary laws with its own regulations of a lower rank, along with the tendency towards the “manual” management of public funds. This style of management leads to a high number of budgetary irregularities.

To quote some examples of fields most vulnerable to corruption: foreign credits, particularly those guaranteed by the Government, collecting of obligatory taxes and duties, and other sources of revenues; management of purchases and contracts; distribution of subsidies, permits and licences; customs and excise; privatisation processes.

The Court of Audit of Ukraine lacks competencies for commencing investigation proceedings into cases of corruption revealed by audits. For that reason, in or-

der to anticipate and detect corruption, the most important thing which this Chamber can contribute is greater transparency and subordination at all levels, support for the bodies trying to stop acts of corruption and the creation of a climate of efficient public management.

Right now, there does not exist in Ukraine any definition backed up by Law of the concept, content, objectives and field of application of the auditing of the State accounts. Various versions of a future Law of Ukraine “On the auditing of the State accounts” have been drafted. Approval of this Law by the Supreme Rada of Ukraine would undoubtedly contribute to a stricter control over the efficient end use of public funds.

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The Supreme Chamber of Control (NIK) as the Coordinator of the EUROSAI Working Group on Environmental Auditing. Experiences and challenges

MIROSLAW SEKULA

President of the Supreme Chamber of Control, Poland

In May 1999 the 4th EUROSAI Congress in Paris passed a resolution establishing the EUROSAI Working Group on Environmental Auditing. The Supreme Chamber of Control was appointed the Group Coordinator. Within the NIK, Zbigniew Wesolowski, NIK Vice-President has been appointed to lead the Group’s work.

The political reforms that Poland has undergone in the recent ten years, including its efforts for the integration with the EU, has brought about also new challenges for the NIK as the Supreme Audit Institution. It is in that context that one should see the emphasis that the NIK Management puts on international cooperation, both bilateral with other SAIs, and multilateral within INTOSAI and EUROSAI.

Since 1990 when EUROSAI was established the NIK has played an active role in the work of the organisation’s statutory organs: the Governing Board and Con-

gresses. In the years 1993-1999 the NIK was a formal member of the Governing Board. Now, although our term has expired, we still actively participate in the Board’s work. As far as the subject matter was concerned we contributed to the organisation of the 4th and 5th Congresses in Paris (May 1999) and Moscow (May 2002). The Moscow Congress was preceded by the Pre-Congress Seminar held in Poland. The NIK is also an active member of the EUROSAI Training Committee. (The first training event of the Committee was organised in February 2001 in



Poland). Even before Poland joined NATO the NIK established contacts with the International Board of Auditors for NATO (IBAN). Thus, since 1997 Polish auditors have been able to take part in IBAN trainings. (In September 2001 IBAN instructors conducted a seminar in Warsaw).

The NIK has working contacts with virtually all Western, Central and Eastern European SAIs. It also cooperates with SAIs of the United States, China, Canada, India, Morocco and others. Within the cooperation of the SAIs of EU Candidate Countries and the European Court of Auditors the *Recommendations concerning the functioning of Supreme Audit Institutions in the Context of European Integration* have been developed and now the cooperation focuses on their implementation, as well as on the SAIs' pro-active attitude in the process of adopting and enforcing *acquis communautaire*.

After that short introduction I would like to concentrate on the NIK's activity in the area of environmental auditing and on our international cooperation in that aspect. As we have dealt with environmental auditing for many years, our experiences are very extensive. The NIK carries out both regularity and performance environmental audits. Their scope includes central and local government administration, as well as (to the extent they make use of public funds) businesses and other organisations.

The NIK examines the enforcement of the state's environmental policies and the way public funds are used, including EU aid funds.

By auditing environmental issues and informing the public of its audit results the NIK helps other state organs define the right ways for the country's sustainable development.

The NIK audits annually the state budget execution, including the budget parts ad-

ministered by the Environment Minister and bodies subordinate to him. The NIK audits also the management by the National Fund for Environmental Protection and Water Management of funds from fees for making use of the environment by businesses and from fines for breaking environmental regulations. From time to time we also audit the management of funds administered by regional and local Funds for Environmental Protection and Water Management.

The NIK environmental audits focus on key problems of environmental protection and management in Poland. From among our recent projects worth mentioning are the audits of hazardous waste management, of water supply in cities and of the environment's protection against noise.

Our environmental auditing experience has proved useful on the international forum. First we took part in bi- or trilateral audits with SAIs of Poland's neighbouring countries: Belarus, the Czech Republic, Germany, Lithuania and Slovakia. Those audits were focused on atmosphere protection¹, water protection² and nature preservation³.

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¹ "Implementation of tasks related to air protection": a parallel audit by the SAIs of the Czech Republic, Lithuania and Poland

² "Activity of central government administration and businesses for the reduction in pollutants emission in the border area": a parallel audit by the SAIs of Poland and Germany

³ "Enforcing agreements on bilateral cooperation on border waters of Poland, Belarus, the Czech Republic and Lithuania".

⁴ "Impact of business activity on the condition of the Bialowieza Primeval Forest": a parallel audit by the SAIs of Belarus and Poland.

⁵ The Working Group webpages (www.nik.gov.pl), launched and then administered by the NIK, contains i.a. information on meetings and seminars, documents developed by the Group (e.g. the Group Strategy, work programme) and information submitted by Group members on major national and international environmental audits.

Thanks to the close cooperation between its members, during the three years of its existence the Group has managed to popularise the idea of environmental auditing all over Europe. More and more SAIs, even those having no tradition or mandate for environmental auditing so far, have taken interest in the Group's work and initiatives. The Group's membership has grown from 14 to 32 SAIs. This year the SAIs of among others Spain, Switzerland and Ukraine have joined us.⁵

The goal of the SAIs' cooperation within the Working Group is, which is emphasised in the Group Strategy, to strengthen environmental tasks performance in Europe and to improve the effectiveness of public expenditure for them. The basic form of the Group's activity is initiating and carrying out international environmental audits, exchanging experiences and findings of national and international audits, and disseminating documents, recommendations, standards, methods and techniques.

So far two international audits on nature preservation (Austro-Hungarian⁶ and Polish-Slovak⁷) and five audits on water protection have been carried out.

Water protection is one of the major environmental problems in Europe and in the Group Strategy for 1999-2002 it was mentioned as one of the Group's priority audit areas⁸. Water protection audits carried out within the Group are related to the enforcement of the OSPAR⁹, Helsinki¹⁰ and MARPOL¹¹ Conventions and the Convention on the sustainable development of

the Danube River¹², and to tasks implementation in the field of the water protection in inland countries of the Baltic Sea catchment area, not being Helsinki Convention signatories.

Auditing the Conventions' enforcement has been a great challenge for the Group and its member SAIs: audits involving more than 2 or 3 SAIs, which had been the case so far, marked a new stage in international auditing. For example in the Helsinki Convention audit the SAIs of all Baltic countries¹³ but Germany took part and in the MARPOL Convention audit, 9 SAIs, not only from Europe.¹⁴

The Group has organised two training events concerning methodology and experiences of international environmental audits.

In May 2001 methodological workshops were organised by the Office of the Auditor General of Norway in cooperation with the NIK. The workshops' goal was to exchange experience and discuss problems related to defining audit subject, scope, methods and criteria of international environmental audits. (A detailed report of the workshops by Theres Johnsen, Director General in the Office of the Auditor General of Norway was published in *The International Journal of Government Auditing*).¹⁵

The 2nd European Seminar on Environmental Auditing was held at the NIK training centre in Golawice near Warsaw last October. It was dedicated to the exchange of experiences in planning and per-

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⁵ For the full list of Group members and their coordinates visit the Group webpage www.nik.gov.pl

⁶ "Parallel audit of Austrian subsidies for environmental protection in Hungary and their environmental impact".

⁷ "Functioning of the Pieniny National Park".

⁸ In the Group Strategy for 2003-2005 the issue of waste products has been appointed one of the priorities.

⁹ OSPAR Convention on the protection of the marine environment of the North-East Atlantic Ocean. Adopted in 1992. Entered into force in 1998. Ratified by 15 countries.

¹⁰ Helsinki Convention on the protection of the marine environment of the Baltic Sea area. Adopted in 1992. Ratified by 9 countries and the EU.

¹¹ MARPOL Convention on preventing sea pollution from ships. Adopted in 1973. Modified with the London protocol in 1978.

¹² The Convention on sustainable development of the Danube River. Adopted in Sofia in 1994. Entered into force 1998. Ratified by 11 countries and the EU.

¹³ Denmark, Estonia, Finland, Latvia, Lithuania, Poland, Russia and Sweden.

¹⁴ Britain, Cyprus, France, Greece, Israel, Italy, Malta, the Netherlands and Turkey.

¹⁵ The workshops' detailed programme and presentations can be read on the Group's webpages at www.nik.gov.pl.

forming international audits initiated by the Group and in disseminating their findings.

Both training events were attended not only by SAI representatives but also by politicians, scientists and international organisations representatives who had been addressees of the Group's audit reports, and by representatives of SAIs not being Group members but cooperating with the Group or interested in such cooperation. The seminars were great opportunities for exchanging information, experiences and opinions, and also for meeting each other, which is necessary for fruitful international cooperation. Great openness in presenting problems encountered during audits and in presenting findings is worth mentioning. It shows how national prejudices in Europe are being broken down and are giving way to the sense of unity and common interest of environmental protection. It does not, however, mean that national interests and differences do not matter any more. They do and that is why the scope, and methodology of and the way of reporting on parallel audits have to be negotiated following the principle of full partnership between all SAIs involved.

At the stage of defining audit scope it is very useful (which was emphasised by the coordinators of the Group's international audits: the SAIs of Norway, the Netherlands, Romania and Poland) to carry out preliminary studies on the national level and to thoroughly analyse the scope of the audit to be performed.

The coordinators stressed the significance of detailed preparations for the success of international parallel audits. At the stage of audit planning, as we know from our own experience, it is important to define not only audit scope and methods but also the forms of cooperation during its performance, such as the form of the final report and the way of developing it.

The NIK has very interesting experiences related to the development of the final report on the Helsinki Convention audit:

Being the audit coordinator the NIK instructed the SAIs involved on the way the summaries of national reports should be developed. (The instruction was consistent with the previously agreed form of the final report.) The summaries we were sub-

mitted by the SAIs were not, however, consistent with the agreed requirements. The differences between them reflected different audit mandates of the SAIs, different statistical bases and different emphasis put on the same problems in our countries.

In such a situation it was agreed that the NIK would develop a final report composed of two parts. And that was what we did. In the jointly developed Part 1 we presented the basic information on the audit and some major findings in its particular areas. Part 2 was comprised of summaries of national reports, developed by individual SAIs.

The findings of the OSPAR and MARPOL audits were reported on in a quite different way. The "OSPAR" SAIs decided not to develop a joint final report and they presented the findings in national reports only. On the other hand, the "MARPOL" SAIs developed two separate reports. The first report presented the best practice in protecting the seas from ship pollution. The other one had a form of a methodological manual. In the opinion of the MARPOL audit coordinator, the Dutch SAI, developing two separate reports lets on one hand to contribute to environmental activity of the countries in question (report 1) and on the other hand to strengthen possible future audits (report 2).

The SAIs involved in the "Danube" audit have not started yet to develop a joint report, as our Romanian colleagues who have coordinated the audit informed us in Golawice in October. Still they plan to start work on the report soon.

The findings of international conventions audits often show large disproportions in their enforcement progress in different countries. Thus, revealing the findings to competent international committees that deal with the conventions' enforcement may stimulate governments to enhance their efforts to catch up with other signatories, as high-rank representatives of the OSPAR and HELCOM Commissions stressed in Golawice. The Commissions' representatives also emphasised that it would be reasonable to repeat international audits to follow the enforcement progress and audit impact.

While speaking of the significance of taking up by the Group the challenge of

Audits involving more than 2 or 3 SAIs, which had been the case so far, marked a new stage in international auditing.

The findings of international conventions audits often show large disproportions in their enforcement progress in different countries.



auditing the conventions' enforcement, it must be said that such audits not only create a great opportunity to make recommendations that might contribute to better observance of the conventions. They also let us consider the causes and reasons why some agreements are stuck to better than others. Such conclusions may then be used in future work on international environmental agreements.

It is also worth mentioning here that in the Group Strategy for the years 2003-2005 (adopted in Paris last May) the members have declared their will to audit in the future the enforcement of Johannesburg Earth Summit agreements. This area will also be a priority in national and international environmental audits to be performed by the Group members in the coming years.

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New guideline for performance audits from the National Audit Office of Denmark

Senior Consultant Jens Lund Andersen



The National Audit Office of Denmark (NAOD) has just published a new guideline for performance audits. The guideline concerns the overall planning of the performance audit and describes some of the issues to be considered by auditors in connection with the audit.

I. General

The National Audit Office of Denmark (NAOD) has just published a new guideline for performance audits. The guideline concerns the overall planning of the performance audit and describes some of the issues to be considered by auditors in connection with the audit. The guideline was

prepared as a natural extension of the NAOD's new values from 2001, and based on these values the guideline specifies *the general audit standards, how to set audit criteria, applicable methodologies, etc.* The purpose of this article is to give a brief outline of the key issues of the guideline and some of our considerations in connection with the work.

Values of the NAOD	
Integrity	The NAOD maintains its integrity by staying independent and by developing its competencies.
Focus	The NAOD will make a positive difference by ensuring that the state and hereby the citizens obtain value for money.
Co-operation	The NAOD focuses on two-way communication and knowledge sharing internally as well as externally.
Flexibility	The NAOD values flexibility and an open mind, and seeks a working environment characterised by security and mutual trust .

II. General audit standards

The guideline is based on the values of the NAOD and thus contributes to creating coherence between the overall strategic management and the actual performance of the work. The four values of greatest importance to the audit standards are: *integrity, focus, co-operation and flexibility*.

These values can be transferred directly to the following six general audit standards:

The six general audit standards

- *The audit should be planned so as to achieve high quality, timely completion and preparation in accordance with the principles of financial management, economy, efficiency and effectiveness. (Integrity)*
- *Sufficient and relevant audit evidence should be procured at reasonable costs to support the auditor's assessments and conclusions. (Integrity)*
- *The audit documentation and the opinion reached by the auditor should be adequately substantiated and subjected to quality control. (Integrity)*
- *The audit should be planned on the basis of materiality, risk or topicality. (Focus)*
- *The audit should be planned so as to achieve optimum social improvements in relation to the costs connected with the audit (Added Value). (Focus)*
- *The audit should be based on the situation of the audited entity, i.e., the legal basis, objectives, tasks, stakeholders, etc. (Understanding the business). (Co-operation and flexibility)*

The first three standards all relate to the value *integrity*, and they were selected on the basis of the concept of Good Public Auditing Practice, laid down by the public auditors in Denmark. These standards all relate to the value *integrity*.

The last two standards about *added value* and *understanding the business* are new in the guideline. These concepts may have been an implicit assumption of the

audit, but they have not previously been put down in writing. With these new standards, the NAOD will now target the audit work at areas where we can make the greatest difference. At the same time, the audit should be carried out with due regard for the context in which the activities of the audited entity take place. Thus, the audit moves towards a co-operating and dialogue-based audit and away from the earlier controlling and critical audit.

III. Audit criteria

In the same way, requirements have been laid down for the audit criteria applied for the performance audit. The audit criteria constitute the basis on which the audited entity is evaluated. In this respect, the NAOD has decided to distinguish between audit criteria, which must be achieved, and audit criteria, which the audited entity *ought to* or *may* achieve.

The audit criteria, which the audited entity *must* achieve, can be set on the basis of legislation, official policy statements, objectives and standards, generally accepted and documented practice as well as industrial and other relevant standards.

In respect of audit criteria, which the audited entity *ought to* or *may* achieve, or in case of doubt as to the interpretation, the auditor should seek consensus on the audit criteria applied. Such consensus should primarily be sought of the audited entity, but may also be sought through expert assistance or focus groups.

Generally, the audit criteria must be

- relevant to the issue under audit and the audit objectives;
- deducible from authoritative sources such as legislation, norms or standards, etc., or be acceptable to the audited entity;
- worded unambiguously and not be open for interpretation;
- so specific and accurate that it is possible to make an assessment of the collected data, and
- in accordance with the requirements applying to the audited entity at the time or during the period comprised by the audit.

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The distinction between audit criteria, which the audited entity either *must* or *ought to* achieve, and the formulation of the five general requirements of the audit criteria are yet again based on the values of the NAOD, in particular the values about *Integrity, Co-operation and Flexibility*. By seeking the consensus of the audited entity on the individual audit criteria, the NAOD gains two advantages as compared to previously. The most important advantage is that different interpretations of the individual audit criteria are discussed at a very early stage of the audit process, allowing the auditor early on to adapt his work accordingly. Secondly, it ensures openness about the audit criteria applied.

IV. Choice of methodology

Generally, performance audits are based on a range of social sciences such as economy, law, political science and sociology. It may, however, be necessary to supplement by methodologies within, *e.g.*, natural science or the humanities. For example, an audit of major construction projects may require assistance from archi-

itects or construction engineers in connection with technical specifications. Similarly, an examination of the educational sector may include assistance, *e.g.*, from psychologists concerning the educational practice.

Thus, performance auditing requires the auditor to be flexible in his use of different methodologies. The auditor should be willing to learn and apply new methodologies, to challenge the conventional audit procedures and, above all, the auditor should know his own limitations so as to acknowledge when to seek assistance from others. A useful motto could be “Once you stop wanting to learn, you stop being good.” At the NAOD, not only do we want to be good, we want to be among the best.

V. Four types of audit studies

The NAOD has chosen to distinguish between four types of audit studies. The most important difference between the types relates to the message that we want to convey to the public auditors and the administration. Figure 1 shows the four types of studies.

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Figure 1. Difference between the four types of studies

	Descriptive studies (what)	Evaluating studies (how)	Causality studies (why)	Change-oriented studies (the future)
Interpretability	None	Limited	High	High
What to do	Map and describe	Evaluate against minimum requirements	Find causes and evaluate against recognised theory	Find causes and evaluate against recognised theory
Methodologies	Descriptive methodologies	Evaluating methodologies	Theory-based analytical methodologies	Theory-based analytical methodologies
Audit criteria	None	Audit criteria which must be achieved	Audit criteria which <i>ought to</i> or <i>may</i> be achieved	Audit criteria which <i>ought to</i> or <i>may</i> be achieved
NAOD comments	Description of the audited entity, etc.	Criticism of non-achievement of audit criteria	Description of relations and identification of strengths and weaknesses	Recommendations for improvements

The difference between the individual types lies in the selection of audit criteria and the level of interpretability, and whether the study is expected to provide recommendations. A performance audit will typically be based on two or more of these study types.

Descriptive studies look for answers to questions like what, where, how many, scope, context, etc., and are applied in largely all major performance audits to isolate and quantify an issue and to point out more qualitative aspects that are more suitably analysed by means of one of the other types of studies. A descriptive study does not provide for an evaluation of the audited entity, as this requires the specification of audit criteria. Therefore, descriptive studies have special strengths in areas where audit criteria cannot be specified.

Evaluating studies are applied where the auditor wants to evaluate the audited entity against audit criteria, which the audited entity *must* achieve. The audit criteria are specified on the basis of legislation, official policy statements or other published objectives or standards, generally accepted and documented practice, industrial standards, etc.

Causality studies are applied where the auditor seeks to explain various relations between data, where a need exists for analysing non-achievement of audit criteria, and where an undertaking is evaluated against audit criteria, which by consensus *ought to* or *may* be achieved. The strengths of this type of study relate to situations where a need exists for supplementing an evaluating analysis with an explanation, but without providing the basis for a recommendation beyond the achievement of the audit criteria specified.

Change-oriented studies are applied where the auditor wants to provide recommendations to enable the audited entity to achieve enhanced performance. In order to make recommendations, the auditor must base his analyses on recognised theory, but the auditor also needs to form an opinion as to how the audited entity can perform better. These studies are usually an exten-

sion of a causality study where the auditor has an opinion as to what measures will produce the greatest social improvements.

By focusing on the four types of studies the auditor gets a tool for planning an audit, reporting the results of the audit and establishing what comments the audit may lead to.

VI. Expectations of the new studies

What expectations do we have of the new studies? First of all, we expect enhanced

- openness and transparency of the audit criteria and methodologies applied;
- methodological flexibility so that new methodologies can be tested, and
- focus on causal relationships and on providing recommendations rather than criticism in case of non-achievement of audit criteria.

But changes imply that we must be flexible and willing to learn. Young employees must be willing to learn from the experience of older employees, who, in turn, must accept the fact that arguments such as – *this is how we always do it* – will no longer suffice. All of us need to be interested in acquiring new knowledge, for that is the only way to ensure the integrity of our products.

However, flexibility and learning are not enough to ensure integrity. We also need to carry out our audits with due regard for the situation of the audited entity. By basing the audit on the concept of *Understanding the business* and the values *co-operation* and *flexibility*, the performance audit will move towards a co-operating and dialogue-based audit with respect for the NAOD's independence of the administration and our position as part of the parliamentary control.

In conclusion, we have great expectations of the future performance audit, and I will finish this article by the following words: The future performance audits by the NAOD will focus on making a difference.

Flexibility and learning are not enough to ensure integrity. We also need to carry out our audits with due regard for the situation of the audited entity.

The future performance audits by the NAOD will focus on making a difference.



Audit and arms. The role of the Audit Office in Legislative Oversight of the Armed Forces

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The Netherlands Court of Audit

The relation between the Supreme Audit Institution and the Army dates from the time that money became a means for exchange at the end of the Middle Ages. The roots of our Audit Institution go back to the year 1447. Money as an intermediary between supply and demand made it easier for sovereigns to impose levies. It also created the occasion for a partition between the private and the public household of the sovereign.

Brief history

The relation between the Supreme Audit Institution and the Army dates from the time that money became a means for exchange at the end of the Middle Ages. The roots of our Audit Institution go back to the year 1447. Money as an intermediary between supply and demand made it easier for sovereigns to impose levies. It also created the occasion for a partition between the private and the public household of the sovereign. And in its slipstream the function of an auditor became an asset in democratizing societies, in which citizens became taxpayers. The sovereign needed money not only for his own household but also for his army, most of them mercenaries at the time.

A vast part of the Monarchs budget was spent on armament and mercenaries and for the Audit Institution, being the Monarch's financial watchdog, this meant a major working field. In the Netherlands, still a Kingdom, a constitutional change in 1841 led to the current situation whereby the King is explicitly subject to the rules laid down in the Constitution, under which the government is formed jointly by the Monarch and the Ministers of the current administration. Responsibility for government actions is borne entirely by the Ministers, amongst them the Minister of De-

fence, who currently spends around US\$ 7,2 billion yearly. This is a large sum of funds, but only 6% of the current state-budget.

Legal Framework

The Court of Audit and its duties are anchored in the Constitution. The Constitution states that the Court is responsible for auditing the Kingdom's revenue and expenditure. Its organisation, composition and powers are laid down in a separate law (the Government Accounts Act). In conformity with statutory provisions, ministers are accountable to the States General or Parliament, for the Kingdom's revenue and expenditure, as laid down in the annual statement on the accounts of the government. This annual statement on the accounts of the government is always sent to the Parliament together with the findings of the Court's annual audit of these accounts on the third Wednesday of May every year. This special constitutional position of the Court, one of the High Councils of State, marks its complete independence from government and also from Parliament.

The armed forces have a statutory duty to defend and protect the interests of the Kingdom and to maintain and promote the

The armed forces have a statutory duty to defend and protect the interests of the Kingdom and to maintain and promote the international rule of law.



international rule of law. That the armed forces also have a constitutional position has no consequences for the Court's duties, and vice versa. It is remarkable that the far-reaching powers that the military authorities take on in the case of a state of war do not extend to authority over the members of the High Councils of State, one of which is the Board of the Court of Audit. The Court's independence is therefore total.

The Government Accounts Act has been developing since 1814. In the beginning it related chiefly to the establishment of the regularity of government revenue and expenditure. From 1841 onwards, the Court served both the King and the Parliament and reported publicly on its annual audit of government accounts. Contemporary reports show that the Court's audits at the time were concerned with issues that would still be topical today. Examples are subjects such as inefficient procurements and the question whether investments in infrastructural works were compliant with the budget-laws.

This does not mean, of course, that nothing has changed. The scope of the Court's work has evolved.

In the course of the last two decades, the Government Accounts Act has developed in response to changes in the Kingdom's financial management, adapted to deal with increasingly complex situations and demands. If we look specifically at the Court of Audit, the most important changes in the Government Accounts Act relate to the Court's right to audit flows of funds that fall under ministerial responsibility but that are not financially managed by the government. This concerns for instance the execution of policies relating to social security, education and health care (financially managed by quango's). Since 2002, for instance, the Court has also been able to audit Dutch businesses, institutions and individuals (for example farmers) who receive subsidies from the European Union. It does not, however, have the power to audit the accounts of local governments and provinces.

Another important development in the Government Accounts Act has been the extension of the concept of 'regularity': regularity nowadays also means that revenue and expenditure may not contravene

other laws and international agreements that the Netherlands has ratified. Furthermore, the concept also covers the 'orderliness and auditability' of financial management. This means that even if there is compliance with budget legislation, the Court can raise an objection if the audited administration seems to be in disorder.

The fact that the Court carries out *performance* audits as well as regularity audits has become more firmly embedded in the law. Furthermore, ministries are obliged to submit their own performance audits to the Court.

The traditional powers of the Court have so far proved sufficient, even when it comes to auditing the secret expenditure on the Ministry of Defence's budget. The president of the Court conducts such audits personally. In this respect it is important to clarify that 99,9% of the Defence budget is considered not to be secret, and thus transparent for the taxpayers.

In addition, the Court's audits of the armed forces have been heavily influenced by the many developments within the armed forces themselves, the international context of their operations, developments within society at large and the changing demands made on financial management.

Instruments

So which instruments does the Court have at its disposal? It sometimes happens that a Minister spends money in contravention of the rules or fails to tackle shortcomings in his/her Ministry's financial management, in which case the Court can raise an objection. The objection procedure is regarded as one of the strongest weapons the Court has at its disposal. It is not used lightly. First the Court gives the Minister an opportunity to take steps him/herself to address the issue. Even after the objection has been formally made, the Minister can still try to reach a solution in consultation with the Court. If no solution is found, the Court upholds its objection and the Minister has no option but to try to reach an agreement with the Upper and Lower Houses of Parliament. Precisely how s/he must do this depends on the issue at stake. If the objection relates to shortcomings in financial management the Minister must make his/her position on the

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objection clear in an additional note to the financial statement. The Upper and Lower Houses will then be cognisant of the problems and can urge the Minister to deal with the shortcomings. If the objection relates to the Minister having spent money in contravention of statutory rules, s/he must introduce a Bill seeking Parliamentary approval for this expenditure after the event. This is known as an Indemnity Act. If Parliament passes the Act, the Court's objection is annulled. Thus it is Parliament (rather than the Court) that has the real power.

In many cases merely announcing an objection is enough to get a Minister to make the necessary improvements. The last time the objection procedure resulted in an Indemnity Act being passed was in 1995.

Aside from legal weapons, the impact of the media can be a key instrument in reaching the objectives of the Court. All audit reports are made available to the public and the press. Nowadays the Internet is also a powerful medium for disseminating the results of the Court's work.

The Court's audits of the armed forces

The Court audits the Ministry of Defence's financial accounts in order to gain sufficient assurances on their reliability and on the regularity of commitments, expenditure and income. The conduct of these statutory duties evidently differs today from in the past. The item the Court audits, the defence budget, also has many more aspects to it than in the past.

Review of the Ministry of Defence's financial accounts

When the Court made its first analysis of the internal audit departments of all ministries in 1985, the Defence Audit Department emerged relatively favourably. This internal audit department, established in 1951, had been the first of its nature in the Kingdom and could look back on a long track record. Internal audits of the armed forces had also traditionally been performed to high professional standards.

Reports on the financial accounts since 1987 reveal that the Court has detected more weaknesses within all the armed forces since 1995. The combination of stricter statutory requirements and the many sweeping organisational changes and restructurings in the armed forces have apparently had such an effect on the order, and thus orderliness, of the armed force's accounts that the Court has been obliged to carry out an objection audit on more than one occasion – to date, however, it has not ultimately stood by its objection. The Minister of Defence has always responded with plans to improve the ministry, but the policy until 2001 tended to be a piecemeal one.

Review of equipment purchases

Frigates, minelayers, tanks, helicopters, armoured vehicles and submarines. The Court has audited virtually every major purchase of equipment in one way or another. In 1985, for example, it investigated the purchase of the Walrus submarine for the Dutch navy and in 1990 the purchase of the Leopard tank for the army, and it recently published a summary report on its 25-year audit of the F16 programme for the air force, in which the Netherlands collaborated with the United States, Norway, Denmark and Belgium.

The main impact of these audits has undeniably been their contribution to the creation of instruments that have considerably improved the management and control of such mega-investment projects. There is a clear relationship, for instance, between the Court's audits on the one hand and the introduction of procedures to supply parliament with information on major projects on the other. The Defence Equipment Process is also permanently evolving in response to the lessons learned from the Court and elsewhere. Two of the Ministry of Defence's staff concluded in their dissertation that the F16 audit had had the greatest impact internally because the ministry anticipated the audit's findings while it was still being carried out. Of the three reports referred to above, the F16 audit report received the least publicity but had the greatest effect according to the authors. This illustrates how the announcement and performance of an audit not infrequently

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increases awareness and leads to improvements even before the Court's conclusions are put down on paper.

The Court obviously does not involve itself at all in the ultimate effectiveness question about the purpose and policy goals of (certain branches of) the armed forces. This belongs to the mandate of the Parliament.

The review of the efficiency of the armed forces in peacetime is not easy. What has been done is to investigate the readiness for action and the deployability of forces. Examples of this include audits of the capacity of armament workshops, the readiness of the Marine Corps, the jet engine depot and the F16 fighter plane squadrons. Its activities in this area clearly changed with the fall of the Berlin Wall. During the cold war, the Court's audits of deployability were based on NATO standards on availability. The move towards peacekeeping operations since 1990 made these standards less practical, and the Court's audits have since been focused more on the creation of better management information systems.

In the past ten years or so, the Court's selection of audit themes has been determined in part also by developments in society at large and by the government's and parliament's response to them. The priorities for performance audits Government-wide have been set largely by such themes as health care, income, employment, housing and the environment. This has inevitably led to the armed forces' position in the Court's audit programme being less prominent than in the period before 1990.

This means that emphasis has been given to subjects that are not part of the armed forces' traditional core business. Examples of this nature are audits of soil pollution, noise pollution, the coast guard and marine pollution (the environmental theme), and the integration of ethnic minorities and women in the armed forces, as well as policy on compensation for the purchase of defence equipment (the income and employment themes). In these audits, the Court found that at first sight the Ministry of Defence enthusiastically implemented many measures but the information supply on the results achieved was poor. Moreover there were no evaluation criteria or benchmarking tools in place to estimate the effect of those measures.

The internationalisation of the armed forces is reflected in the Court's defence-related activities and audits. This is illustrated by the joint audit conducted by the five Supreme Audit Institutions of the countries that initiated the F16 programme. The findings and opinions arising from the joint action of these SAIs are now important lessons learned in the decision-making procedure and contract negotiations for the Joint Strike Fighter, the proposed successor to the F16.

Internationalisation also leads to concrete audits. In approximately 1995, for example, the Court thought very little progress had been made with the Ministry of Defence's evaluation function for peacekeeping operations. The lessons learned from the first episodes of this relatively new defence 'product' had not been systematically recorded as guidelines for new missions or incorporated into new doctrine publications. The Court also audited the cost of peacekeeping operations. It proved difficult to make expenditure transparent. The basis for expense claims submitted to the United Nations was not entirely clear; consequently not all recoverable costs were claimed. In addition, claims remained unpaid for a long time and the UN Permanent Representative did not have an active reminder policy. The Court's audit led to the introduction of improvements.

Another of the Court's international audits that can be named in this context looked at the Schengen information system. The system was introduced on the removal of internal borders in the European Union and is an important tool for both the judiciary and the Royal Military Police. The Court found that the system had many teething troubles and was not used consistently by the member states.

Finally, an audit of international cooperation between the armed forces of the Netherlands and those of other countries concluded that there were many promising developments but again found weaknesses in information systems, limited learning skills and few tools to measure effectiveness and the realisation of goals.

Of course the Netherlands Forces are also part of the NATO. When it comes to the external audit of NATO, a board of auditors exists. The SAIs of the NATO member

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states second the members for the Board on a rotating basis. The Board has 7 members, so every 7/8 years the SAIs can second a member for a 3-year term. 95% of the Board's audit activities are focused on certifying the financial statements of the various NATO agencies. The findings of the NATO Board are discussed annually with the concerned SAIs to enable them to take these findings into account in their own audits.

Conclusions

The independent audit by the Supreme Audit Institution of the Armed Forces has a long history. The outcome of this long experience is that nowadays the audit of the

armed forces does not in principle differ from the audit of other government agencies. This means that government-wide audits that are focused on themes that have little to do with the primary tasks of the armed forces, for instance gender and environmental issues, can also cover their policies and activities. The audits that the SAI undertakes in the field of the armed forces can help Parliament to exercise its democratic control over them. Audits of major procurements and regularity audits remain of particular interest to the Parliament. Finally, the rapidly changing tasks and duties of the armed forces within the international context call for audits that reflect this context and underline the need for and value of closer co-operation between SAIs in this field.

Statistical Sampling Techniques in Practice Conducting a Telephone Survey during a Performance Audit. A Malta Experience

MANTOINE D'AMBROGIO-ARACI¹

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The Malta National Audit Office recently selected a thematic issue for a performance audit and published a detailed insight into the way school transport services were being managed.

In line with standard VFM scope, the audit addressed issues of economy, efficiency and effectiveness of school transport in Malta. However, this article will focus on part of the audit dealing with the measurement of effectiveness. Defined as the relationship between planned and actual performance, a faithful measure of effectiveness necessitates a precise gauge of the actual performance. At an early stage of the audit (at feasibility study stage) the team had identified direct contact with students as the most suitable method of obtaining a measure of this performance in terms of reliability of the service provided to students and satisfaction levels derived thereof.

Background

The Education Division within the Ministry of Education, in accordance with

Malta Government policy, provides transport to mainstream state school students at primary and secondary level², on a free of charge basis. All such students, living a



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² Students aged 3 to 16.

minimum of 1.6 km away from the school they attend, are eligible to make use of this service. The Division farms out the provision of this service at an annual expenditure of around € 2.4 million.

Being a social issue effecting over 40% of the entire student population (around 19,000 students), the provision of school transport is often taken up by politicians and the media, especially so during the first and last few weeks of the scholastic year, when shortcomings are most evident. This periodic interest led the VFM Section of the Malta NAO to carry out a performance audit of the School Transport System³.

Objectives of the Interview Exercise

Various areas of interest, most likely to affect the level of service, and thus system effectiveness, were to be addressed through communication with end-users. Specifically:

- Timeliness, promptness and regularity of the service;
 - Safety and cleanliness;
 - Behaviour;
 - End-user complaints and their resolution;
 - End-user level of satisfaction;
- were features and practices to be covered.

Data Acquisition

The first step towards obtaining end-user perception was the acquisition of the relevant students' contact details. Following brainstorming sessions within the team, it was decided to solicit the views of eligible students, as against actual users. In this way, the perception of those most dissatisfied with the service (those eligible not making use of it) would also be obtained.

Acquisition of students' lists had to be done at school level⁴. Furthermore, although specialised database packages are available at all schools, the degree of utilisation varies greatly. Consequently, schools supplied the team with student lists in various formats. Electronic data included Word and Excel documents, together with ASCII files. The majority of schools supplied the data requested in printed form only. Additionally, data surplus to that requested was supplied in many instances.

The team responded by adopting a data capture process that entailed scanning the printed data through OCR software, transferring the output to Excel. All electronic files as received were converted to Excel. Data was finally collated into one spreadsheet and filtered, eliminating the surplus. The table below depicts the results thus obtained:

Schools	Eligible students
47 Primary	3,892
36 Secondary	14,826
83 Total	18,718

The lower population in Primary schools is due to the fact that primaries' catchment areas are less widespread (geographically) than those of secondary schools.

End-user perceptions were to be gathered by the team members within a 5-week period. Contact via telephone questionnaires was deemed advantageous to the distribution (and subsequent collection) of pre-printed forms. In this way, contact with end-users directly at their residence would be possible.

In order to ensure maximum user response rate, phone calls were to be made during weekday late afternoons and Saturday morning, the targeted audience being the students themselves in the case of secondary school attendees and pupils' parents for primaries.

The Education Division within the Ministry of Education, in accordance with Malta Government policy, provides transport to mainstream state school students at primary and secondary level.

Being a social issue effecting over 40% of the entire student population the provision of school transport is often taken up by politicians and the media, especially so during the first and last few weeks of the scholastic year, when shortcomings are most evident.

³ The audit was carried out in the period Oct 2001 to May 2002. The resulting report, entitled 'Performance Audit – School Transport System', was published in September 2002. Copies (English text) are available for download on the Malta NAO website www.nao.gov.mt

⁴ The Education Division does not collate individual school lists into a centralised list.



The Pilot Survey

The survey process was started with the preparation of a draft questionnaire. The audit team formulated this on information gathered through desk research and interviews with officials from Education Division and schools.

This questionnaire was tested by means of a pilot run. During this exercise, 32 successful contacts were established.

Selection of records was done using simple random sampling applying ‘stratification’ to identify between the two school categories, primary and secondary. In order to ensure that the required amount of contacts was made, the contact list included extra (standby) elements, to be utilised as replacements if the need arose.

A standard introductory message was agreed upon. As the word ‘survey’ tends to put respondents off, the exercise was described as a ‘study’ to interviewees. In addition, care was taken not to associate the ‘study’ with ‘government’. In this way, the risk of inducing political bias in response was minimised.

Responses, originally captured on pre-printed forms, were entered onto Excel and analysed. Through the analysis of the data collected during the pilot survey, the team ensured that the survey objectives were being adequately addressed.

The Main Survey

On completion of the pilot survey, adjustments to the questionnaire were made, basing on feedback received. In addition, the team decided to opt for electronic, on-line data capture of responses, in favour of the more traditional pre-printed questionnaire forms. The only significant advantage of using printed forms rose through the relative lack of confidence the team members had in the use of interview data capture software. Advantages of using a computerised system, including less preparatory and post-survey work and a smaller risk of error, far outweighed the disadvantage of relative lack of confidence.

The team drew upon the expertise of the IT Support Unit at the NAO in order to design and develop the data capture pro-

gram. Developed using Access, the program allowed capture of interview responses within a single, scrollable, screen.

As the student population was too large to interview entirely, sampling techniques were to be utilised. In choosing the sample, a multi-system technique was deemed to be the optimum choice. In effect, two separate samples were to be chosen, the main being *stratified*, the second one *clustered*.

Stratification was opted for as this produces samples that are more representative of the population. The table below depicts population and stratified sample sizes:

School	Population	Sample
Primary	3,892	122
Secondary	14,826	480
Total	18,718	602

Within each school category, the number of elements per school was a function of the respective school population and confidence level and limits required. Apart from the number of elements thus determined, an extra number of standby elements were selected. These would serve as replacements in the eventuality of refusals to participate in the study.

The audit team was convinced that stratification would yield results representative of the characteristics of secondary schools and the larger of the primary schools. However, a blind spot was identified – the smaller-sized primaries in rural areas. Through the pilot study, the team had discovered that transport serving such schools had its own peculiarities.

Clustered sampling was the method adopted to adequately capture response reflecting these characteristics. Two primaries, one in the north, another in the south, of Malta, were selected. All students attending these two schools and eligible to make use of transport, was taken as the clustered sample. This amounted to 146 students.

Once the desired number of (stratified sample) interviews was made and the clustered sample elements were contacted, the Access datafiles were transferred yet again into Excel and the final data processing stage commenced.

Care was taken not to associate the ‘study’ with ‘government’. In this way, the risk of inducing political bias in response was minimised.

Two separate samples were to be chosen, the main being stratified, the second one clustered. Stratification was opted for as this produces samples that are more representative of the population.



Data Processing and Analysis

This stage involved data cleaning (to eliminate invalid responses entered erroneously) and a major re-coding exercise. This recoding consisted in the grouping of free-format text variables into leaner categories, thus facilitating eventual analysis.

With this stage completed, the final stage of the exercise, that of data analysis, was embarked upon. In order to carry this out, the entire dataset was converted to SPSS software (Statistical Package for Social Sciences). The audit team opted for this package due to its advanced statistical tools.

SPSS was used to obtain basic statistical functions (such as mean, range and standard deviation) and more advanced ones such as cross tabulations and multiple response analysis. Cross tabulation allowed the audit team to identify deficiencies in behaviour patterns within different sub-groups. Multiple response analysis was utilised on questions where it was possible for respondents to give more than one valid response.

Through analysis, all the originally-determined objectives were addressed.

With the analysis concluded, significant findings were mainly represented in tabular or graphical form. Such material was included as support material to the textual content of the published Audit Report.

Main characteristics of school transport in Malta revealed through this survey include:

- 81% of eligible students make use of transport services for both morning and afternoon trips;
- 24% of morning users on arrival find their school not yet open;
- 23% of afternoon users experience instances of waiting times longer than 15 minutes;
- 27% of morning users reported cases of overcrowding;
- 4% of users grade student behaviour during the trip as poor;
- 70% of respondents who had previously lodged a complaint were not satisfied with the outcome;
- Transport users' overall level of satisfaction was rated at 76/100.



The development of a training infrastructure in the EU candidate countries

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The INTOSAI Development Initiative (IDI) has been the “training arm” of INTOSAI since 1986. From 1986 until the end of 2000 the IDI was attached to the Office of the Auditor General of Canada. Since 1 January 2001 responsibility for the IDI Secretariat has been the responsibility of the Norwegian Auditor General.

The IDI’s mission is to help developing nations to improve their audit capacity and effectively address emerging audit issues through training, information sharing, and the provision of technical assistance to regions of INTOSAI.

In February 2003, Phase I of the EUROSAI/IDI training co-operation programme came to its conclusion with a training workshop for audit practitioners in Cyprus. This first phase has seen the introduction of the IDI’s Long Term Regional Training Programme (LTRTP) to 12 European Union (EU) candidate countries (Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia and Turkey); it is the first time that this comprehensive training programme has been implemented in Europe. This article reflects on the process and results of introducing the LTRTP into Europe.

Introduction

The INTOSAI Development Initiative (IDI) has a long record of facilitating sustainable training programmes amongst the Supreme Audit Institutions (SAIs) of developing countries. Since 1996 this has focused, to a large extent, on the LTRTP, a comprehensive programme of activities that leads to the creation of a “pool” of around 25 graduate training specialists. These specialists return to their SAIs as both national and regional training resources.

Until 2000, there had been little contact between the IDI and EUROSAI. But what emerged over a few months of dia-

logue between the EUROSAI Governing Board and the IDI was that there was now genuine developing/emerging nation status in parts of Europe; and that fledgling SAIs in Eastern Europe and the former Soviet Union would benefit from the IDI approach to training as a means of embedding sustainability in their countries.

Background to Phase I (EU candidate countries)

One of the first tasks in any LTRTP delivery is, alongside the Regional Training Committee, to define the boundaries of the project. Which countries should be invited to take part? Would any preconditions be necessary? How would the programme be funded?

It became clear from an early stage that, for logistical reasons, a two-phase approach would be needed in Europe. It is usual to invite each participating country to send two representatives to LTRTP workshops; as each workshop could not exceed 25 participants, the numbers simply did not add up. A second consideration was language. Of those countries likely to be invited to send participants, some could not guarantee that they would have appropriate English-language skills to make both phases workable in English only. From these considerations the two-phase approach emerged.

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Discussion of these strategic issues coincided with the transfer of responsibility for the IDI Secretariat from the OAG of Canada to its counterpart in Norway. Planning for the implementation of the IDI's first Strategic Plan, to cover the years 2001-2006, was also a priority at that stage. What these two events effectively did was to open up the IDI's activities to a new funding community. The Norwegian Government had, through its International Development Co-operation Agency, NORAD, acceded to a request from the Norwegian Parliament to fund the IDI Secretariat expenses. Added to this, following a request to the Norwegian Ministry of Foreign Affairs, agreement was reached whereby the Ministry would fund EUROSAI Phase I in its entirety.

Implementation of Phase I

The main goal of the LTRTP in EUROSAI is to "help SAIs improve their training capabilities and broaden the scope of their training and information exchange activities through the enhancement of infrastructures that will ensure the sustainability and viability of regional as well as local training programmes, while recognising the diversity of experience and relative development of participating SAIs". As a result of this two-phase programme it is to be expected that, through training, the quality of audit practice in the region will eventually be enhanced.

The LTRTP consists of five key activities:

1. a three-day Strategic Planning Workshop for representatives of participating SAIs;
2. a six-week Course Design and Development Workshop to establish a group of highly qualified course designers and developers;
3. a three-week Instructional Techniques Workshop to establish a group of highly trained instructors;
4. a two-week preparation meeting for the Regional Audit Workshop; and
5. a two-week Regional Audit Workshop designed, developed and presented to a regional audience by graduates of the LTRTP.

In the case of EUROSAI Phase I it was decided to hold two Audit Workshops to take account of the significant interest amongst EUROSAI members. It would also enable the training team to learn lessons from the first workshop and to improve the training materials to maximise their impact upon subsequent distribution to all participating SAIs.

The paragraphs below provide an in-depth description of four of the five activities listed above, describing the outcome of each and highlighting significant features.

Strategic Planning Workshop (SPW)

The SPW is one of the keys to maximising the effects of the LTRTP. It traditionally brings together senior representatives of SAIs from participating countries to ensure top-level buy-in to, and agreement about, future training co-operation. The SPW is also a crucial first step in highlighting the training priorities in a region, and for setting criteria for participation in the rest of the LTRTP.

The Phase I SPW was held in Oslo, Norway on 11-13 December 2000, with participants from 11 SAIs. Observers from the SAIs of seven other European countries were also present, as were representatives of the IDI.

The outputs of the meeting were, primarily, that all participants committed their SAIs to involvement in the process of the LTRTP, that criteria were agreed for participation in the remainder of the LTRTP, that training priorities were listed and that agreement was reached on the evaluation regime for the LTRTP.

Course Design and Development Workshop (CDDW)

The six-week CDDW took place in Prague, Czech Republic, from 22 October until 30 November 2001. The Workshop, aimed at experienced auditors, brought together 26 participants from twelve countries. The main objective was the formation of a "pool" of training specialists qualified in needs analysis, course design, course development and evaluation, including both theoretical and practical, hands-on sessions. The IDI's on-site team included an instructor, a co-instructor,

It is to be expected that, through training, the quality of audit practice in the region will eventually be enhanced.



three subject matter experts, a course administrator and secretarial support.

The CDDW was divided into two segments: a 2-week Classroom Instruction Segment and a 4-week Practicum. The output of the Classroom Instruction Segment was a series of 26 individual two-day courses on the following four topics:

- Detecting fraud and irregularities
- Interviewing skills
- Using analytical review
- Assessing risk in a financial audit

The Practicum resulted in an eight-day course on Audit Programming and Documentation, as agreed at the SPW. The IDI's training methodology, the Systematic Approach to Training, which focuses on the practical application of skills, a participatory approach and a sustainable outcome, resulted in the production of an Instructor's guide for each of the 17 sessions of the eight-day course, Participants' notes, Exercises and Visual aids. These training materials are regarded as being of sufficient quality to be used by participating SAIs in the region.

In summary, the CDDW taught participants the skills required to design and develop technical audit training programmes to address local and regional training needs. On completion, participants expressed enthusiasm for the training methodology advocated throughout the CDDW. Many reported their desire to immediately apply some or all of the teaching techniques and strategies employed in the programme. Many also recognised that introducing some of the techniques into their home institutions would be demanding.

Some of the challenges encountered during the CDDW were the use of English as a working language and participants' varied experience of financial audit. Nevertheless, the objectives of the workshop were achieved, largely due to participants' commitment and willingness to work together and learn from one another.

Instructional Techniques Workshop (ITW)

The Phase I ITW took place in Krakow, Poland on 8-26 April 2002, and brought together most of the group of re-

gional specialists that had taken part in the CDDW. The objectives of the workshop were:

- to learn, practice, and use effective instructional techniques and group facilitation skills; and
- to field-test regional course materials designed and developed during the CDDW

Methodologically, the ITW uses and teaches an "experiential approach" to training with emphasis on learning by doing. The structure of the workshop provided progressive practice opportunities, starting with basic instructional skills, moving toward more advanced competencies in facilitation and group dynamics.

An evaluation strategy was implemented with emphasis on practical demonstration by participants of the broad range of skills included in the course. Results from the evaluation confirmed that the organisation and structure of the workshop were sound and produced notable increases in both skills and confidence for all participants. One part of this evaluation strategy was a self-assessment questionnaire that participants completed before and after the ITW, giving them the opportunity to rate their level of confidence in each of the key instructional competencies addressed at the workshop. The results of the self-assessment demonstrated the progress made by participants (the group average improved by 46%) and proved to be a useful tool to measure learning.

Technical audit materials developed during the CDDW were tested during week three (Practicum). Participants demonstrated that the materials were generally effective and could be readily adapted to meet the specific needs of member SAIs.

On completion of the ITW, 25 participants received an IDI Certificate in Instructional Techniques, and 22 participants who had successfully completed both the CDDW and the ITW received an IDI Training Specialist Diploma.

Regional Audit Workshops (RAWs)

It has already been noted that, unlike previous LTRTP implementations, two RAWs were planned for this EUROSAI

The CDDW taught participants the skills required to design and develop technical audit training programmes to address local and regional training needs.

The ITW uses and teaches an "experiential approach" to training with emphasis on learning by doing.



Phase I programme. The first of these took place in Tallinn, Estonia on 9-20 September 2002 and the second in Nicosia, Cyprus on 3-14 February 2003. With one exception, the instructor teams for both workshops were identical. Previous to the first RAW the instructor team met in Oslo, Norway for a preparation meeting.

Of the ten working days of each workshop, the first eight covered an introduction to financial audit, with the final two days devoted to "Detecting fraud and irregularities". Over the two RAWs 60 participants from the EU candidate countries took part. The decision to hold a second RAW appears to have been justified by the improved evaluation scores for the second delivery. At the RAW held in Cyprus, 97% of participants rated the financial audit course as being "highly useful for my learning needs", compared to 59% at Tallinn. The figures for the fraud course were 74% and 71% respectively. The reasons for these improvements in evaluation scores are a combination of the response of instructors to feedback following

Tallinn and changes made to the criteria for the selection of participants, to target less experienced auditors.

Outputs and outcomes of the Phase I LTRTP

Looking at the outputs and outcomes, it is possible to distinguish the following:

- 22 graduate training specialists, covering SAIs in 12 EU candidate countries, who have undertaken both the CDDW and ITW
- three CDDW participants who are able to design and develop courses
- two ITW participants who are able to act as instructors
- two prepared and distributed courses on financial audit and the detection of fraud and irregularities, each complete with an instructor and participants' binder, with all files available electronically



Regional Audit Workshop session breakdown

Financial Audit course:

- 1.1. Obtain an understanding of the entity
- 1.2. Establish materiality
- 1.3. Assess audit risk
- 1.4. Determine audit scope and objectives
- 1.5. Determine audit approach
- 1.6. Determine sampling procedures
- 1.7. Prepare an audit plan
- 2.1. Design a detailed audit programme
- 2.2. Perform tests of control procedures
- 2.3. Perform substantive procedures
- 2.4. Conduct analytical review
- 3.1. Perform audit evaluation and audit conclusions
- 3.2. Produce management letter
- 3.3. Prepare audit report
- 3.4. Plan/carry out follow-up
- 3.5. Working papers

Detecting Fraud and Irregularities:

1. Introduction and overview of the detecting fraud and irregularities workshop
2. Fraud and other types of irregularities. The role of the SAI in preventing and detecting fraud and irregularities
3. Assessing vulnerability to non-compliance
4. Compliance auditing overview
5. Reporting fraud and other irregularities

- 60 SAI auditors who have undertaken training in both financial audit and fraud detection

All participating SAIs have, since the second RAW, also received a comprehensive instructor course binder on CD-ROM. These documents will give those SAIs, in conjunction with their local training specialists, the opportunity to deliver similar programmes at a national level.

LTRTP Phase II

An article on the early stages of the Phase II LTRTP, for countries in the Balkans and the former Soviet Union, will appear in the next edition of the EUROSAI magazine.

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“EUROSAI Phase I LTRTP graduates

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Back Rows, left to right:

Rick Steel (IDI), Malgorzata Kram (Poland), Aleksandra Kukula (Polish liaison), Endre Ákos (Hungary), Dainius Jakimavičius (Lithuania), Danguole Subačiene (Lithuania), Zbyslaw Dobrowolski (Poland), Chrysostomos Nicolaou (Cyprus), Liisi Uder (Estonia - ITW certificate holder), Jolita Korzuniene (Lithuania - ITW certificate holder), Zoltan Giday (Hungary), Kristjan Paas (Estonia), Michaela Pohanková (Czech Republic), Ina Balcevicā (Latvia), Fida Geagea (IDI), Árpád Tóth (Hungary), Eva Rousová (Czech Republic), Zlatica Svetíková (Slovak Republic), Nadya Topalova (Bulgaria)”



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