Topicality of the Declarations of Lima and Mexico: the independence of SAIs as a guarantee of democratic States
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Dear Colleagues,

Aware of the maturity of our Organisation and of the opportunity for tackling new challenges, the VII EUROSAI Congress, held in Krakow in 2008, agreed to promote several interesting initiatives in the three three-year period 2009-2011. A new Training Strategy was approved, entrusting its development to the Training Committee. It was likewise decided to strengthen the activity of the Working Groups and Task Force, which were mandated with the undertaking of ambitious working programmes. The promotion of cooperation with INTOSAI and its Regional Groups continues to be a priority for this period, as it does with other external partners. Progress should be made in that collaboration by means of designing new formulas guaranteeing that the maximum synergies are obtained in the actions of them all for the benefit of and as a complement to the activities of their members.

The most innovative initiative promoted by the VII Congress was undoubtedly the decision to design a global Strategy for EUROSAI. It has the aim of making it possible to comply with the objectives entrusted to it by its Statutes, in the most efficient way and taking account of new developments in the environment of the external control. This Strategy seeks to incorporate the transformations and promote the changes required by our Organisation, which has now been in existence for nineteen years and has fifty members, two thirds more than when it was founded in 1990; furthermore contributing by means of its actions to the projection of the INTOSAI Strategic Plan in the European Region.

In this framework, the special commitment which EUROSAI has taken on with the priority project of INTOSAI for 2009 can be highlighted: to strengthen the independence of the SAIs as a guarantee for good governance and transparency, as well as an essential element for the proper functioning of democratic states. This is precisely the topic that has been chosen for the present issue of our Magazine. The relevance of the Lima and Mexico Declarations of INTOSAI today takes on a special topicality in view of the occurrence of too many situations in which the safeguarding of independence finds itself under threat. This was indeed one of the central points of discussion in the annual meeting between the Presidency and the Secretariat of EUROSAI this year, with these concerns being conveyed to the Contact Committee of Presidents of SAIs of the European Union.

The independence of SAIs, an essential element for their basic configuration, has to cover the institution and the mandate assigned to it, to its members and the staff at its service. Its appropriate guarantee requires an acknowledgement and specific coverage in the fundamental text of the States and requires a legal development, as well as the provision of the de facto conditions that will ensure the effectiveness of that framework and its materialisation for a technical and transparent exercise of the audit activity, with no interference at all being admissible.

The independence also has to extend to the organic, functional, budgetary and managerial scope of our institutions. A rational and efficient organisation has to be guaranteed, as must certain perfectly regulated procedures which will allow its objectives to be complied with, along with a highly qualified staff subjected to an ethical code that will contribute the maximum quality and solvency in the exercise of its activity. The material and financial resources needed for developing its action must also be ensured, with powers for managing them under its own responsibility. The legal framework must be completed with the necessary measures that will permit its compliance to be guaranteed.

Moreover, the SAIs should have the right and obligation to report on the audit results, and have the mechanisms permitting them to conduct a follow-up of their recommendations. Our institutions must also be granted the utmost institutional respect and credibility, impact and public consideration with regard to their role and their results. As a counterpart to these guarantees, the SAIs have to fulfil their mandate with a high technical quality, objectivity and efficacy in the scheduled objectives. It is a priority to evaluate the development of our actions and to analyse the added value which we provide for society in terms of contributing to improving management. Only in this way will we be able to achieve the internal and external recognition deserved by the high level of duties entrusted to us.

2010 will be a year of commemoration for EUROSAI. Indeed, our Organisation, founded in Madrid in 1990, will shortly be reaching its twentieth birthday. This means that, though still young, it now enjoys full maturity, as reflected by the important task carried out over these years with the aim of promoting cooperation and professional exchanges among its members and with other institutions with whom its shares common interests. The value which EUROSAI adds to each SAI is evident, as is the fact that the contribution of each of them is necessary for the Organisation. Cooperation, as a centrifugal and centripetal force, constitutes the cornerstone of this joint effort.

I would not wish to end these words without stating the willingness of this EUROSAI Secretariat, as well as its sincere gratitude to the authors who have made the publication of this issue of the Magazine possible. It is also my wish to offer this meeting point, which has as its fundamental mission that of serving as a vehicle of information, communication and cooperation among the members of our Organisation, to all those who would like to contribute to this common work.

Manuel Núñez Pérez,
President of the Court of Audit of Spain,
Secretary General of EUROSAI
The EUROSAI Governing Board held its XXXIII Meeting in Cracow (Poland) on 2 June 2008, with the attendance of the Members, Observers and guests listed in the Annex, and under the chair of Prof. Dr. Dieter Engels, President of the SAI of Germany and President of EUROSAI.

Dr. Engels opened the session and thanked the host for his hospitality and the organisation in place, and the Secretary General of EUROSAI for the work carried out in the preparation of the meeting. He welcomed the participants with a special mention for the new Comptroller and Auditor General of the United Kingdom, Mr. Burr, who recently joined the Governing Board.

Mr. Jezierski, President of the SAI of Poland and host of the meeting, welcomed the participants and he expressed his satisfaction for hosting the EUROSAI Governing Board meeting, willing to achieve fruitful results in it and along the VII Congress that would be opened just after it.

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

1. Adoption of the agenda of the XXXIII Governing Board meeting

The Governing Board approved the agenda unanimously.

2. Adoption of the minutes of the XXXII Governing Board meeting

The Governing Board unanimously approved the minutes of the XXXII Governing Board meeting (Berne, 13 September 2007), requesting the Secretary General to circulate them to the EUROSAI Members.

3. EUROSAI Activity Report 2005-2008

Mr. Núñez, President of the Spanish Court of Audit and EUROSAI Secretary General, thanked Mr. Jezierski’s hospitality and greeted the participants at the meeting, welcoming the Comptroller and Auditor General of the United Kingdom, Mr. Burr. Mr. Núñez expressed his will to serve with dedication to EUROSAI, as its new Secretary General, and offered his availability to the Governing Board. He devoted some special words of congratulation and gratitude to the EUROSAI President, Dr. Engels, for the great work done in the period 2005-2008, as well as to his predecessor as EUROSAI Secretary General and who served as such for ten years, Mr. Nieto de Alba.

Mr. Núñez briefly introduced the EUROSAI Activity Report 2005-2008, circulated in advance among the EUROSAI Members and to be submitted to the VII Congress in compliance with article 9.2 of the Statutes. That Report reflected the activities developed by EUROSAI since the VI Congress and the implementation of its mandates: conferences and seminars held and programmed; implementation of the Training Strategy; activities of the Working Groups; cooperation with INTOSAI and its Regional Groups, IDI, and other entities. The Report also included information on new Members that joined the Organisation during the last three years, and on the Secretariat activity.

The Secretary General suggested to the Governing Board proposing to the VII Congress the initiative to launch the design of a global strategy for EUROSAI given the changes in the environment, mainly in INTOSAI, and the new challenges that EUROSAI confronts. For this purpose, he suggested to set up a Task Force, under the leadership of the EUROSAI President, involving representatives of the former and future presidencies that could provide their experience. Mr. Núñez also offered the EUROSAI Secretariat for this task.

The Governing Board noted down the Activity Report, and supported the initiative of proposing to the Congress to work on a comprehensive EUROSAI strategy during the next three-year period.


Mr. Núñez presented the EUROSAI accounts and Financial
5. Presentation of the 2009-2011 draft Budget

The EUROSAI Secretary General presented to the Governing Board the draft Budget and the proposed membership fees for the period 2009-2011. That draft remained in the same terms and concepts with similar allowance as the one approved for 2006-2008, with the only changes resulting from the incorporation of a new EUROSAI Member in 2007, the SAI of Israel, and pending on the decision to be made by the Governing Board under item 19 of the agenda regarding the membership application by the SAI of Montenegro. The Secretary General’s proposal included maintaining the fees in the same amount as in the previous triennium.

The Governing Board supported the draft Budget and the proposed amounts of fees to be presented to the EUROSAI Congress, in the terms suggested by Mr. Núñez.

6. Information on the candidacies received for the election of two new members of the EUROSAI Governing Board and presentation of proposal to the Congress

The EUROSAI Secretary General reported that the mandate as members of the Governing Board of the SAIs of Italy, Lithuania and the Russian Federation was to expire at the VII Congress. He thanked the Heads of the mentioned SAIs for their contributions to the functioning of the Organisation and their cooperation. He stressed that, since the VII Congress, the SAI of Portugal, as the host of the VIII Congress (2011), would be a member by right of the Governing Board and EUROSAI First Vice-President, if the Congress approved the proposal in this regard, in accordance with Article 10.1 of the Statutes. He also recalled that the SAI of the Russian Federation remained on the EUROSAI Governing Board as observer, in their capacity as member of the INTOSAI Governing Board.

The Secretary General reminded that the SAIs of Ukraine, Turkey, Belgium and the European Court of Auditors had initially expressed their readiness to be elected as new members of the EUROSAI Governing Board. The last two mentioned SAIs had reconsidered their offer, in favour of the other two candidates, in order to facilitate a more balanced representation of the different geographical regions of the Organisation, as required by Article 10.1.b of the Statutes, keeping their offer open for future elections.

The Governing Board welcomed the courtesy of the SAI of Belgium and the European Court of Auditors and agreed to propose to the Congress the election of the SAIs of Turkey and Ukraine as new members of the Governing Board. The EUROSAI President expressed his appreciation for the work of the outgoing members.

7. Information on the candidacies received for the election of the two EUROSAI Auditors and presentation of proposal to the Congress

The Secretary General recalled that the SAIs of Belgium and Slovak Republic ended at the VII Congress their mandate as EUROSAI Auditors. He thanked their Heads for their work. He reported that the SAI of Slovak Republic had expressed their willingness to continue performing those functions for a new three-year term. The European Court of Auditors, once it reconsidered its candidacy for Governing Board membership, offered to perform the function of EUROSAI Auditor for the following three-year period.

The Governing Board agreed to propose to the Congress the continuity of the SAI of Slovak Republic and the incorporation of the European Court of Auditors as new EUROSAI Auditor. He recognized the work of the SAIs of Belgium and Slovak Republic in the period ending.
8. Presentation of the 2005-2008 EUROSAI Training Committee Activity Report, draft 2008-2011 Common Training Strategy, and draft resolution to be submitted to the Congress

Mr. Núñez, member of the Co-chair of the EUROSAI Training Committee (ETC), introduced the 2005-2008 Activity Report to be submitted to the VII Congress. It detailed the ETC actions in the triple area of: performance of the Training Strategy adopted by the VI Congress, works related to the operation and internal structure of the Committee, as well as the proposals prepared for the VII EUROSAI Congress. Mr. Núñez particularly highlighted the ETC’s report evaluating the results of the performance of that Strategy, annexed to the ETC Activity Report, identifying the achieved objectives, challenges pending and lessons learned.

Mr. Séguien, First President of the SAI of France and also member of the ETC Co-chair, presented to the Governing Board the draft resolution on training to be submitted to the Congress, which included the draft 2008-2011 Training Strategy and the new mandate given to the Governing Board to boost it. Mr. Séguien noted that the Strategy is based on three main priorities: training, information and knowledge sharing, and institutional development promotion. Enhancing cooperation among EUROSAI Members, with INTOSAI and its Regional Groups, and with other potential external partners should be considered as key mechanisms for efficient and qualified execution.

The Governing Board endorsed the Report and the draft resolution to be submitted to the Congress. The ETC was congratulated for the work performed.

9. Information on the 2006-2008 Training Initiative promoted by the EUROSAI Presidency

Dr. Engels presented the experiences of the EUROSAI Presidency in the development of the 2006-2008 Training Initiative carried out, in cooperation with the Academy of European Law of Trier and the German Cooperation Organisation GTZ, as a contribution to the EUROSAI Training Strategy. A written document with details of the implementation of the initiative was delivered.

The Governing Board congratulated Dr. Engels and thanked him for the great contribution to training of the EUROSAI Presidency.

10. Proposal of the EUROSAI Secretariat on the applications for financial contributions from the EUROSAI Budget

The Secretary General presented to the EUROSAI Governing Board the subsidy applications of the SAIs of Estonia and the Czech Republic for organising training events in 2008, amounting to €4,000 and €10,400 respectively. He reported that these applications conformed to requirements of Articles 5.2 and 14.3 of the EUROSAI Standard Procedures, as well as criteria and principles for granting subsidies approved by the VI Congress. He recalled that the applications had been reported favourably, in terms of its suitability and amount, by the ETC in its XVI meeting (Moscow, Russian Federation, 27 and 28 March 2008).

The Governing Board supported the funding applications submitted by the SAIs of Estonia and Czech Republic, which were approved unanimously.

11. Report on EUROSAI-IDI cooperation

Mr. Kosmo, Auditor General of Norway and Chairman of IDI, gave a brief presentation on the IDI Activity Report summarising its performance since the VI EUROSAI Congress. He made special mention to the implementation of the Public Debt Audit Program developed in 2006 in CIS countries and Mongolia, and partially supported with EUROSAI financial contribution. He made some considerations on the evaluation of the results of Phase II of the Long-Term Training Program (LTTP), and summed up the situation of other IDI programs underway. He also provided an outline of the 2007-2012 Strategic Plan.

The Governing Board thanked the Report and congratulated IDI for its work.

12. Information on the VI EUROSAI-OLACEFS Conference

Mr. Núñez introduced the proposal of OLACEFS on dates and themes of discussion for the VI EUROSAI-OLACEFS Conference. These Conference will be held in Porlamar, Margarita Island (Venezuela) from 13 to 16 May 2009. The main Theme chosen for it, “Current and future environmental challenges and preservation and conservation of natural resources” will be developed in two Sub-themes: “Role of SAIs in safeguarding the heritage of natural resources of a nation” and “Importance of parallel environmental audits in a globalized world”. Mr. Núñez suggested that it would be of great interest to invite the EUROSAI Working Group on Environmental Audit to support, on behalf of the Organisation, the technical preparation of the Theme of this Conference.
The Governing Board endorsed OLACEFS’ proposal, requesting the Secretary General to notify the agreement to the Organisation.

13. ARABOSAI-EUROSAI cooperation

13.1. Information on the meeting held in Kuwait, February 2008

Ms. Kukula, SAI of Poland, made a briefing on the technical meeting, hosted by ARABOSAI and where some EUROSAI Members were invited, held in Kuwait on 5 and 6 February 2008. In it, several issues related to environmental audit and SAIs organisation were discussed, by sharing national experiences.

13.2. Information on the II EUROSAI-ARABOSAI Conference

Mr. Séguin provided information on the preparation of the II EUROSAI-ARABOSAI Conference, to be held in Paris in March 2009. The role of SAIs in the modernization of the State will be the main topic of discussion, being focused from various perspectives including among them the new challenges for SAIs, such as the impact of new technologies and globalisation. He announced that further details on the Conference would be facilitated proximately.

14. Presentation of the Report and the working program of the EUROSAI Environmental Audit Working Group and draft resolution to be submitted to the Congress

Mr. Wesolowski, SAI of Poland, introduced the 2005-2008 Activity Report of the EUROSAI Environmental Audit Working Group; Group coordinated by that SAI. He highlighted the practical perspective of the Group, which had prompted many national and coordinated audits implementing the working program adopted by the VI EUROSAI Congress. He stressed also the value of the annual seminars of the Working Group as a forum for exchanging experiences, as well as the cooperation with the counterparts Working Groups of INTOSAI and of its Regional Groups, and with the Presidency of EUROSAI and the Academy of European Law of Trier in implementing the 2006-2008 Training Initiative led by the mentioned Presidency. He stressed out the activities of the Special Sub-group Audit of Natural, Man-Caused Disasters Consequences and Radioactive Wastes Elimination, coordinated by the SAI of Ukraine, and the parallel audit carried out on of the Chernobyl Shelter Fund. Mr. Wesolowski introduced the draft resolution to be presented to the VII Congress.

The Governing Board supported the proposed draft resolution and thanked the SAI of Poland for their achievements as chair of the Group for nine years, welcoming the SAI of Norway as its new chair.

15. Presentation of reports and working program of the EUROSAI IT Working Group and draft resolution to be submitted to the Congress

Mr. Stuiveling, President of the SAI of the Netherlands and of the EUROSAI IT Working Group, presented the 2005-2008 Activity Report, making specific reference to the tasks and the products issued in their different areas of operation. She stressed cooperation with the counterparts Working Groups of INTOSAI and of its Regional Groups, with the EUROSAI Training Committee and IDI. She summarized the basic lines of the working program proposed by the Working Group for 2008-2011. Ms. Stuiveling also mentioned the Report “Combating fiscal fraud by making use of IT”, drafted by the Working Group under the mandate of the VI EUROSAI Congress. Finally, she introduced the draft resolution to be submitted to the VII Congress.

The EUROSAI President submitted the draft resolution to the Governing Board, that supported it, congratulated the SAI of the Netherlands for their work as the chair of the Group for six years, and welcomed the SAI of Switzerland as its new chair.

16. Presentation of the Report of the EUROSAI Working Group Coordinated Audit on Tax Benefits

Dr. Engels presented the Report of the Coordinated Audit on Tax Benefits, boosted by a Working Group chaired by the SAI of Germany, with the participation of eighteen SAIs. He reported on the stages of the audit, under a memorandum of understanding defining of key concepts to be evaluated. Three subgroups within the Group were set up to focus on three specific areas: Transparency and Reporting of grants, Corporate Income Tax, and Added Value Tax. Dr. Engels summarized the findings conclusions and recommendations of the Report, noting that the Working Group had now fulfilled the mandate given by the VI Congress and had finished its activity.

The Governing Board supported the Report and congratulated the Working Group and its chair for their work.
17. Presentation of the Report of the EUROSAI Study Group on Benchmarking Costs and Performance of Tax Administrations

Mr. Sinclair, SAI of the United Kingdom, presented the Report “Benchmarking of Tax Administrations”, coordinated by that SAI in cooperation with the SAIs of Finland, France, Poland, The Netherlands and Sweden. He thanked EUROSAI SAIs for the information provided in responses to the questionnaire circulated to make those assessments, as well as the SAI of Canada for the support received in the development of their works. Mr. Sinclair summarized the key aspects of the Report and briefly presented the findings, noting that the Study Group had fulfilled the mandate received from the VI Congress and ended its activity.

The Governing Board supported the Report, congratulating the Study Group and its coordinator for the work done.

18. Consideration of the proposal of the SAI of Ukraine for setting up as an independent EUROSAI Working Group the Subgroup “Audit of Natural, Man-caused Disasters Consequences and Radioactive Wastes Elimination”

The EUROSAI Secretary General presented a draft resolution, proposed by the President of the SAI of Ukraine, Dr. Symonenko, for the consideration of the VII EUROSAI Congress on the initiative of setting up, as an independent Working Group from the Environmental audit Working Group, the current Sub-group “Audit of Natural, Man-Caused Disasters Consequences and Radioactive Wastes Elimination” established in 2006.

Mr. Jezierski and Mr. Kosmo took the floor, as current and future chair of the EUROSAI Environmental Audit Working Group, and they launched a number of issues for discussion at the Governing Board. Various alternatives were proposed to formalize this initiative, all matching the convenience of giving the current Subgroup a certain degree of autonomy but remaining within the scope of the Environmental Audit Working Group.

Given the lack of agreement on the terms, the EUROSAI President requested the Secretary General to convene the parties that held different positions, the SAIs of Ukraine, Norway and the Netherlands, to reach an acceptable agreement to all involved parties to be submitted to the Congress.

19. Decision on the EUROSAI membership application presented by the SAI of Montenegro

The EUROSAI Secretary General recalled the request made by the SAI of Montenegro for EUROSAI membership. He said that the SAI met the requirements established for this purpose under Article 3 of the EUROSAI Statutes.

Dr. Engels submitted the application for consideration of the Governing Board, that approved it. Thereby the SAI of Montenegro was integrated as EUROSAI Member. The Secretary General was requested to inform the requester about this decision.

20. Information on the VII EUROSAI Congress

Mr. Jezierski briefly summarized the main lines of the VII EUROSAI Congress, with particular reference to the opening and closing events and the development of general and theme plenary sessions, as well as the social events that would take place during it.

The Governing Board noted the information and thanked the President of the SAI of Poland for the organisation.

21. Information on the XIX INCOSAI

Dr. Moser, President of the SAI of Austria and Secretary General INTOSAI, provided information on the outcome of the XIX INCOSAI Congress, held in Mexico City from 5 to 10 November 2007. It dealt with the audit of public debt and performance evaluation system based on key indicators as main Themes for discussion. He congratulated the SAIs of Germany and the United States as coordinators of those Themes. He spoke about the joint initiatives and agreements adopted at the Congress, as well as on the works performed for achieving INTOSAI strategic goals, and about the new working groups and task forces set up. He highlighted the incorporation of two full right new Members to the Organisation, the SAIs of Montenegro and Singapore, and associate members. He announced the election of the SAIs of the United Kingdom and the Russian Federation as INTOSAI Governing Board members on behalf of EUROSAI. Dr. Moser also reported on the review of the INTOSAI Strategic Plan for 2008-2011, in progress.

The EUROSAI President thanked the INTOSAI Secretary General for the information provided and he congratulated him for the success of the Congress and the work done.
22. Miscellaneous

No matter was submitted under this agenda item

***

Dr. Engels thanked the host of the meeting and his staff, the EUROSAI Secretary General, Members and Observers of the Governing Board and the guest SAIs for their participation. He appreciated the contributions and support offered to him by the Board during his tenure as EUROSAI President, with special thanks to the Secretariat. He congratulated and wished success to the new President of the organisation, Mr. Jezierski, offering him his availability as a Governing Board member.

The EUROSAI Secretary General reiterated the congratulations, on behalf of the Governing Board, to Dr. Engels and his team for their performance as EUROSAI Presidency, thanking them for their dedication and efforts.

Dr. Engels closed the 2008 Governing Board Meeting.

THE EUROSAI PRESIDENT
Dieter Engels

THE EUROSAI SECRETARY GENERAL
Manuel Núñez Pérez

ANNEX

LIST OF PARTICIPANTS
XXXIII EUROSAI GOVERNING BOARD MEETING
Cracow (Poland) – 2 June 2008

I. Members

Germany:
Dr. Dieter Engels
Ms. Beate Korbmacher
Mr. Jan Eickenboom
Poland:
Mr. Jacek Jezierski
Ms. Aleksandra Kukula
Ms. Magdalena Szuber
Mr. Grzegorz Haber
Lithuania:
Ms. Rasa Budbergytė
Ms. Dainora Venciveičienė
Spain:
Mr. Manuel Núñez Pérez
Mr. Javier Medina Guijarro
Ms. María José de la Fuente y de la Calle
Mr. Jerónimo Hernández Casares
Iceland:
Mr. Sigurdur Thordarson
Mr. Thorir Oskarsson
Italy:
Mr. Tullio Lazzaro
Mr. Raffaele Squitieri
Mr. Ennio Colasanti
Mr. Luigi Mazzillo

Russian Federation:
Mr. Sergey V. Stepashin
Mr. Valery Goreglyad
Mr. Nikolay Paruzin
Mr. Fyodor Shelyuto
Ms. Nina Myltseva

Switzerland:
Mr. Kurt H. Grüter
Mr. Arthur Taugwalder

II. Observers

Austria:
Dr. Josef Moser
Mr. Wolfgang Wiklicky
Mr. Victor Cypris

Hungary:
Dr. Arpad Kovacs
Mr. Janos Revesz

Norway:
Mr. Jorgen Kosmo
D. Per A. Engeseth
Ms. Gry Anette Midtho

United Kingdom:
Mr. Martin Sinclair
Mr. Iain Johnston

III. Guests:

France:
Mr. Philippe Séguin
Ms. Danièle Lamarque

The Netherlands:
Ms. Saskia Stuiveling
Mr. Hayo Van der Wal

THE EUROSAI PRESIDENT
Dieter Engels

THE EUROSAI SECRETARY GENERAL
Manuel Núñez Pérez
The Governing Board held its XXXIV EUROSAI meeting in Cracow (Poland) on 5 June 2008, with attendance of the Members, Observers and guests listed in the Annex, and under the chair of Mr. Jezierski, President of the SAI of Poland and President of EUROSAI since the VII Congress (Cracow, 2 to 5 June 2008).

Mr. Jezierski opened the meeting and welcomed the participants. He expressed his congratulations and appreciation to Dr. Engels, President of the SAI of Germany and former President of EUROSAI, for the work accomplished during his mandate as Head of the Organization, and for his cooperation in the preparation and development of the VII Congress.

He started the discussion on the agenda.

1. Adoption of the agenda of the XXXIV meeting

The agenda was approved unanimously by the Governing Board.

2. Welcome to the new Governing Board members and presentation of the First Vice-President

The EUROSAI President welcomed the three new members of the Governing Board: the Presidents of the SAIs of Portugal, Mr. d’Oliveira, of Turkey, Mr. Damar, and Ukraine, Mr. Symonenko. He recalled that, under the provisions of Article 10.1 of the Statutes, the SAI of Portugal was to be the EUROSAI First Vice-President, as host of the VIII Congress (2011), congratulating Mr. d’Oliveira on his appointment.

Mr. Jezierski appreciated the work and contributions of the Auditor General of Lithuania, Ms. Budbergytė, and the President of the SAI of Italy, Mr. Lazzaro, who were, respectively, Second Vice-President and member of the Governing Board until the VII EUROSAI Congress. Mr. Jezierski also welcomed the President of the SAI of the Russian Federation, Mr. Stepashin, in his new capacity as EUROSAI observer, as a member of the INTOSAI Governing Board, once their term as member of the EUROSAI Governing Board ended at the VII Congress.

3. Election of Second Vice-President of EUROSAI

The EUROSAI President submitted the candidacy of the Auditor General of Iceland, Mr. Thordarson, as Second Vice-President of the Organization; the candidacy was endorsed by the Governing Board, proceeding to his appointment in accordance with Article 10.1 in fine of the Statutes.

4. Adoption of the necessary guidelines for the implementation of the decisions of the VII Congress

The EUROSAI President summarised the results and decisions of the VII Congress emphasizing participation, interest and flow of discussions. Mr. Jezierski stressed the relevance of the topics discussed and conclusions and recommendations approved. He recalled the mandate given to the Working Group for Theme I of the Congress, on audit quality management systems, to prepare in 2009 and submit for approval of the Governing Board, through the Secretariat and after comments of the EUROSAI Members, a good practices guide on audit quality.

Mr. Jezierski also made a review of the agreements adopted at the General Plenary Sessions of the Congress, as follows:

- Design of a global Strategy for EUROSAI in accordance with developments in the environment, mainly in the scope of INTOSAI, entrusting its implementation to the Governing Board. A Task Force was set up for this purpose, led by the EUROSAI Presidency, and consisting initially also on the former and future Presidency and the General Secretariat of the Organization. This Task Force would be responsible for dealing with the preparatory works and preparing a draft strategy to be presented for approval by the VIII Congress.

- Strengthening cooperation with other Regional Groups of INTOSAI: agreement was taken for holding the VI EUROSAI-OLACEFS Conference in Porlamar, Margarita Island (Venezuela) from 13 to 16
5. Consideration of matters concerning training in EUROSAI

5.1. Proposal on review of the structure of the EUROSAI Training Committee

Dr. Engels, President of the SAI of Germany, shared some thoughts, from his experience as the former EUROSAI President, about the great advantages that would accrue in his view that the Presidency of the Organization would join the efforts of the Co-chair of the Training Committee. This would help to better coordinate activities in training and contribute to a more efficient operation of both.

Mr. Jezierski expressed his support for this proposal and suggested to entrust the Training Committee some works on a possible revision of its structure, bringing to the Governing Board proposals to this effect. He suggested that, in order to support the work of the Training Committee in its early stages, a small group could be designated inside it made of representatives of the former, current and future Presidency of EUROSAI and the Co-Chair of the Training Committee, that is: the SAIs of Germany, Poland, Portugal, France and Spain. This would ensure emerging ETC proposals were compatible with work on the overarching priority of developing a global Strategy for EUROSAI.

The Governing Board agreed with the initiative and the mentioned SAIs expressed their willingness to support the Training Committee in performing the task.

5.2. Information on the operational plan to implement the 2008-2011 Training Strategy

Mr. Núñez, representing the Co-chair of the EUROSAI Training Committee, presented the operational plan for 2008-2009. This plan is aimed at the implementation of the 2008-2011 EUROSAI Training Strategy and the review of the internal structure and operation of the Training Committee itself to make its functioning more efficient and proactive. Mr. Núñez summarized the main actions of the plan aimed at identifying the training needs of the sub-regions of EUROSAI, exploring new learning methods and achieving a greater visibility of the Strategy to encourage greater cooperation with other entities, evaluating training quality, and maximizing the impact of the EUROSAI website as a tool for enhancing training.

The Governing Board endorsed the 2008-2009 operational plan.

6. Proposal of the Secretariat on the request to grant a financial contribution from the EUROSAI budget

The EUROSAI Secretary General submitted a funding application of the SAI of the Czech Republic from the 2009 EUROSAI budget, amounting to €7,000. This financial subsidy was intended to partly cover the organization by the mentioned SAI, in cooperation with the EUROSAI Training Committee, of the Seminar “Experience with the implementation and development of VFM audit in reaction to new challenges and changes in the environment”, to be held in Prague in April 2009. Mr. Núñez reported that the application is consistent with the requirements set out in Articles 5.2 and 14.3 of the EUROSAI Standard Procedures, as well as criteria and principles concerning the subsidies to be granted for the events approved by the V Congress. He recalled that the request had been reported favourably, in terms of its suitability and amount, by the EUROSAI Training Committee at its XVI meeting (Moscow, 27 and 28 March 2008).

The Governing Board supported the application of the SAI of the Czech Republic.
7. Presentation of a proposal for inclusion in the EUROSAI Standard Procedures of deadlines for presenting applications for EUROSAI Governing Board membership and for becoming EUROSAI Auditor

The EUROSAI Secretary General presented a proposal for amending the EUROSAI Standard Procedures in order to establish a deadline for presenting applications for EUROSAI Governing Board membership and for becoming EUROSAI Auditor. The aim of this initiative is to provide Members of the Organization with a reasonable time to analyze and evaluate applications before making the appropriate choice. Mr. Núñez proposed in this line the amendment of Article 9.4 of the Standard Procedures by introducing the condition, as a requirement of admission, of the need for such applications to be received at the EUROSAI Secretariat, at least, two months in advance to the Congress in which the decision on the election is to be made.

The Governing Board supported the proposal and thanked the Secretary General’s initiative.

8. Information on the VIII EUROSAI Congress

Mr. d’Oliveira, host of the VIII EUROSAI Congress, provided brief information on it, noting that it will take place in Lisbon at the end of May or early June 2011, and announcing that he would ask for suggestions from EUROSAI Members to select the technical themes for discussion.

The President and Secretary General of EUROSAI expressed readiness to support the preparation.

9. Venue and date of the next Governing Board Meeting

The SAI of Ukraine offered to host the XXXV Governing Board Meeting in Kiev in June 2009, at a date to be agreed later.

The EUROSAI President thanked President Symonenko’s offer, which was approved by the Governing Board.

10. Miscellaneous

No matter was submitted under this agenda item

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The EUROSAI President thanked the participation of the Secretary General, Members and Observers of the Governing Board, and the SAI invited. He also expressed his gratitude to the working groups established for preparing the VII EUROSAI Congress and to the staff of the SAI of Poland that took part in its organisation and development.

The EUROSAI Secretary General reiterated his congratulations to the new President, Vice-Presidents and Members of the Governing Board of EUROSAI, offering the support and availability of the Secretariat. He also expressed full consideration to the President, Vice-Presidents and Members of the Governing Board of EUROSAI, whose mandate expired at the VII Congress, thanking them for their important contributions.

The EUROSAI President closed the XXXIV Governing Board meeting.

THE EUROSAI PRESIDENT
Jacek Jezierski

THE EUROSAI SECRETARY GENERAL
Manuel Núñez Pérez

ANNEX

LIST OF PARTICIPANTS

XXXIV EUROSAI GOVERNING BOARD MEETING

Cracow (Poland) – 5 June 2008

I. Members

Poland:
Mr. Jacek Jezierski
Ms. Aleksandra Kukula
Ms. Magdalena Szuber
Mr. Grzegorz Haber

Portugal:
Mr. Guilherme d’Oliveira Martins
Mr. José Tavares

Spain:
Mr. Manuel Núñez Pérez
Mr. Javier Medina Guijarro
Ms. María José de la Fuente y de la Calle
Mr. Jerónimo Hernández Casares

Germany:
Dr. Dieter Engels
Mr. Beate Korbmacher
Mr. Jan Eickenboom

Iceland:
Mr. Sigurdur Thordarson
Mr. Thorir Oskarsson

Switzerland:
Mr. Kurt Grüter
Mr. Arthur Taugwalder

Turkey:
Mr. Mehmet Damar
Mr. Ismet Akim
Mr. Mehmet Bademli
Ms. Seher Ozer

Ukraine:
Dr. Valentyn Symonenko
Mr. Taras Prytula

II. Observers

Austria:
Mr. Víctor Cypris

Russian Federation:
Mr. Sergey V. Stephshin
Mr. Valery Goreglyad
Mr. Nikolay Paruzin
Minutes of the XVI EUROSAI Training Committee Meeting
Moscow, Russian Federation, 27-28 March 2008

Representatives of ten members of the EUROSAI Training Committee (ETC), namely the SAIs of the Czech Republic, Denmark, France, Germany, Hungary, Lithuania, Poland, Portugal, Russian Federation and Spain, and co-chaired by the SAIs of France and Spain, held the XVI ETC meeting in Moscow on 27 and 28 March 2008. The SAI of the United Kingdom could not take part on it.

The meeting was hosted by the SAI of the Russian Federation. Participants of the European Court of Auditors (ECA), IDI and the Chair of the INTOSAI Capacity Building Committee, the SAI of Morocco, attended the ETC meeting as guests.

Mr. Stepashin, Chairman of the SAI of the Russian Federation, welcomed the participants. He highlighted the relevance of training for guaranteeing a sound operation of SAIs and the importance of cooperation for strengthening it.

Danièle Lamarque, representative of the SAI of France, also welcomed the participants on behalf of the ETC Co-chair and thanked the SAI of the Russian Federation for hosting the meeting.

1. Adoption of the agenda:

María José de la Fuente, representative of the SAI of Spain, presented the draft agenda circulated for the XVI ETC meeting. It was unanimously adopted just changing the order of presentation of some items, at the request of the participants, for practical reasons.

2. Adoption of the draft minutes of the XV ETC meeting in Bonn:

Danièle Lamarque presented the draft minutes of the XV ETC meeting, held in Bonn on 8 and 9 March 2007.

Elisabeth Türk, representative of ECA, pointed out that ECA’s comments had not been taken into account in the draft minutes circulated. She made a summary of the main points raised on them and asked for their consideration in the final version.

It was agreed that a new version of the draft minutes, including ECA’s comments, would be circulated by the SAI of France proximately and submitted to the ETC’s approval through writing procedure.


María José de la Fuente introduced some points of discussion for evaluating the performance of the Training Strategy 2005-2008 approved by the VI EUROSAI Congress in 2005. She reminded the mission of the Strategy and the main goals that the Congress identified and agreed to achieve. She highlighted as main points to have into account in the evaluation: meeting EUROSAI priorities and needs, training assessment, training quality, training impact...
and effectiveness for participants/SAs/EUROSAI, sufficiency and adequacy of training provided, role developed by EUROSAI and the ETC in the impulse of training, and development of cooperation at internal and external levels.

Ms. de la Fuente suggested the ETC to analyse the performance of the Training Strategy in a two-step process. Firstly, an overall discussion could be raised on the main achievements obtained in its performance, general aspects where the operation had revealed some weaknesses, matters where the Strategy had not shown to be adjusted to EUROSAI members’ needs, main difficulties found to develop it, aspects that would be worthwhile to be maintained in the future, the ones that would need further exploration, and those that do not look so useful to be continued in following years, as well as the challenges still pending for improving training in EUROSAI. The second step of the discussion could be focussed on a detailed analysis of achievements and challenges pending in respect to each of the goals of the Training Strategy. This discussion would provide inputs for reporting to the EUROSAI Governing Board and the Congress on the performance of the Training Strategy for 2005-2008 and for drafting a proposal of Training Strategy 2008-2011 to be submitted to the VII Congress (Cracow, Poland, June 2008).

A brainstorming was held by participants, where general comments were combined with a specific analysis on the performance of the six main goals of the EUROSAI Training Strategy 2005-2008:

- Delivering training through seminars and events.
- Supporting EUROSAI-IDI activities.
- Supporting cooperation with Working Groups.
- Supporting cooperation with Regional Groups and the wider INTOSAI family.
- Expanding the use of websites and publications.
- Expanding cooperation with universities.

Discussion was also raised on some issues that the Training Strategy 2005-2008 invited for further exploration:

- Certified European Public Sector Auditor qualification.
- Key training available on internet.
- Guidelines for managing training within SAIs and sharing national papers on training.

Some topics, at strategic level, were launched during the discussion, such as:

- Need of distinguishing between the EUROSAI Training Strategy and the ETC strategy.
- Convenience of considering institutional development and including it in the wide concept of training, and possible ways of cooperation in this field with the INTOSAI Capacity Building Committee and IDI.
- Opportunity of designing a global EUROSAI strategy in line with the INTOSAI Strategic Plan.
- Difficulties to evaluate the impact of training for SAIs.

4. Development of the operational plan for performing the EUROSAI Training Strategy

4.1. Discussion on the summary of the EUROSAI Training Strategy 2005-2008, drafted for informative purposes

Due to the fact that the performance of the EUROSAI Training Strategy 2005-2008 was nearly over, the ETC decided that it was not useful any more to summarise its main points and the main lines of the operational plan to develop it, as initially agreed at the 2005 ETC meeting for giving it more visibility through the EUROSAI website. The publication of the resolution containing the Strategy approved by the VI Congress in 2005 was considered enough for providing information to the website visitors.

4.2. Evaluation of training events: common models of questionnaire for evaluating quality and for identifying expectations of participants

Helena Lopes, representative of the SAI of Portugal and contact person between the ETC and the EUROSAI IT Working Group, presented the work developed by the ETC Task group (SAIs of Portugal and Hungary and the ECA, with the support of IDI) entrusted with the responsibility of drafting models of questionnaire to evaluate the quality and impact of the training activities provided under EUROSAI’s umbrella. She explained that the Task group would propose to use three kinds of questionnaire: pre-seminar questionnaire (it has to be drafted for each seminar/training event, taking into account its specificity), questionnaire on the seminar (to be replied at the end of the event),
and monitoring questionnaire (to be circulated some time after the event in order to know its impact on the audit work of the participants and the transfer of results to the SAIs).

Ms. Lopes presented the model of questionnaire drafted for evaluating the results of training events by participants and presenters, as well as a model of evaluation report for exposing the conclusions on the impact of the training events and for informing the ETC on their results. Helena Lopes informed that the drafting by the Task group of some guidelines for preparing monitoring-questionnaires was still pending.

The ETC thanked the group by the work done and highlighted the utility of having homogeneous questionnaires for evaluating the training provided and maximising its quality and impact. The group was asked to go further in their work.

4.3. Evaluation of the results of cooperation with external partners: Results of the Initiative of the EUROSAI Presidency 2006-2008

Beate Korbmacher, representative of the SAI of Germany, presented the results of the training initiative promoted by the EUROSAI Presidency in cooperation with the Academy of European Law of Trier and the German Agency for Technical Cooperation GTZ. She made a detailed summary of the activities provided, participants in the events, institutions involved, as well as the results obtained in terms of fulfilment of the main goals of the EUROSAI Training Strategy: strengthening technical cooperation, providing support for further development and strengthening cooperation with other Regional Groups of INTOSAI. Ms. Korbmacher commented the main conclusions of the development of this training initiative, highlighting the advantages coming from financial, organisational and structural facilities that it can provide, as well as from the existing training materials and expert networks. The focus from different perspectives and background had resulted very enriching for participants. She also pointed out that, sometimes, training provided following this line of cooperation could be too theoretical and not so much focused for auditors; as well as the difficulties that, in occasions, may raise for finding topics of common interest for all the institutions involved taking into account that EUROSAI independence and priorities have to be safeguard and guaranteed.

The ETC congratulated the EUROSAI Presidency on this Initiative carried out as a complement to the EUROSAI Training Strategy 2005-2008. The need of creating networks with universities and establishing different lines of cooperation with them was highlighted. A suggestion for keeping a list of experts in the restricted part of the EUROSAI website for facilitating future training was made.

The representatives of the SAI of Poland, as future Presidency of EUROSAI, declared to consider the continuation of this kind of training initiative in cooperation with universities.

4.4. Information on the setting of a restricted part on the EUROSAI website for training materials

María José de la Fuente informed the ETC on the studies that the EUROSAI Secretariat, as host and manager of the EUROSAI website, was carrying out in order to set up, if approved by the Governing Board, a restricted part on the website for training materials and some other information that could be considered. This restricted area would guarantee the access to information for EUROSAI members and, at the same time, keeping confidential information and protecting intellectual property and avoiding an inappropriate commercial use of training materials. She explained the different alternatives to develop that restricted part through passwords or providing certificates. In any case, it would be accessible in “reading mode” and only the webmaster could upload materials.

ETC members expressed their agreement with this proposal to be submitted to the Governing Board and manifested their preference for the restricted part to be accessible for all the staff of the SAIs members of EUROSAI and not only for specifically authorised people inside them.

4.5. Summary of the results of the questionnaire on Certified European Public Sector Auditor qualification

Elisabeth Türk commented that, in view of the results of the questionnaire on Certified European Public Sector Auditor qualification presented at the previous ETC meeting (Bonn, March 2007), contacts were trying to be facilitated with universities in order to explore possibilities of cooperation in this field. Ms. Türk reminded that, as agreed at the ETC meeting of 2007, the representatives of the ECA would prepare a summary of the results of the mentioned questionnaire, avoiding specific mentions to concrete SAIs, to make it available on the EUROSAI website for information.
4.6. Draft questionnaire on cooperation between SAIs and universities

At the ETC’s request, Danièle Lamarque will prepare a draft questionnaire on cooperation with universities, trying to analyse systems and alternatives already operating in the different countries of EUROSAI, to identify possible formulas to make it effective at global level, as well as possible kind of entities with which to cooperate and eventual topics to be dealt with. In the future, another questionnaire could be drafted to identify concrete universities with which cooperation could be developed.

4.7. Draft guidelines for organising training events

Zuzana Holoubkova, representative of the SAI of the Czech Republic, presented a draft practical guide for organising training events in the scope of EUROSAI prepared by the Task group formed by the SAIs of the Czech Republic and Hungary with the support of the SAIs of United Kingdom and Denmark. Ms. Holoubkova explained the structure of the guide, that includes some orientations for the different phases of design, preparation, development, delivery and post seminar activities. It covers the main aspects that have to be faced by the host of a training event. She commented also the annexes that would accompany the guide for facilitating its use.

Eszter Dürr, representative of the SAI of Hungary, clarified that it was a preliminary paper that would be subject to the comments of the ETC members. She remarked that she would prefer to have a single document covering the phases of design and delivery of the training events instead of having two different documents for it; criteria that was mostly supported by the ETC. She proposed that some additional information on the possibility of having financing from EUROSAI for organising training and an annex with a list of experts could be included in the guide.

Discussion was raised in relation to some concrete aspects of the draft guide. Some other comments were focused on the need of clarifying in the document its “orienting” nature, as well as to suggesting that it should include only basic aspects of training events that need to be covered and in terms that can be generally acceptable. In this line it was suggested that references to “voluntary” aspects connected with the organisation of training events, such as social events, gifts, or programme for accompanying people, could be included in an annex but not in the main document for avoiding hosts to feel “invited” to also deal with it.

Archana Shirsat, representative of IDI, offered to the ETC a CD prepared by IDI with instructions for training trainers and where indications on planning, programming and evaluating seminars are contained.

Special attention was paid to the question related to languages to be provided in training events. Fyodor Shelyuto, representative of the SAI of the Russian Federation, and Danièle Lamarque suggested that the guide should contain a general mention to this aspect that might contemplate that languages provided in training events would depend on the concrete needs in each case. Magnus Borge, representative of IDI, commented their experience in this field and shared the advantages and disadvantages of having several languages in training. María José de la Fuente suggested that the ETC members could provide support to facilitate translation of training papers, as a way of cooperation.

María José de la Fuente, as Director of the EUROSAI Secretariat, asked the ETC about what information should be provided in the open and restricted parts of the EUROSAI website. She suggested to include in the open part information on training provided with a summary on each activity and a contact person for any further information that could be requested; the restricted part would contain the overall and detailed information on the general performance of training and on each activity developed and programmed, as well as the training materials. In any case, the information for the open and restricted parts of the website should be provided by the organisers, already elaborated, to the EUROSAI Secretariat for uploading it. The SAI of France, as agreed at the 2007 ETC meeting, will take care of managing this process. The ETC agreed on this line of action.

5. EUROSAI Training Committee matters

5.1. Evaluation of the efficiency of the ETC operation: lessons learnt and pending challenges

María José de la Fuente introduced the issue making some reflections on the fulfilment by the ETC of the task entrusted by the Governing Board and on the efficiency of its operation. She suggested to deal with the assessment from a double perspective. The first one, analysing the adequacy of the structure of the ETC for carrying out its activities in an efficient way (composition, chair, participants, task groups operating, opportunity to create a secretariat for administrative purposes...). The second perspective of the analysis would
deal with functioning aspects of the ETC (meetings efficiency, distribution of responsibilities and tasks inside the ETC, fulfilment of the activities entrusted to each member, promotion of fruitful discussions and exchange of experiences and information...).

The ETC members exchanged opinions on the efficiency of the ETC works and made suggestion on ways to improve it. It was decided that the ETC should analyse how to move forwards in view of the new training strategy approved at the VII EUROSAI Congress. So, discussion on the structure and operation of the ETC was postpone to the following ETC meeting, where decisions of raising proposals of changes to the Governing Board could be taken.

5.2. Draft provisions on the structure, organisation and operation of the ETC

María José de la Fuente made a brief presentation of a draft text containing provisions on the ETC structure, organisation and operation. She clarified that the content of the text was based on successive agreements concerning the ETC adopted by the EUROSAI Governing Board. The text makes reference to different aspects including objectives and tasks of the ETC, structural mentions, general functioning standards for the meetings and the intermediate periods, financial indications and a final consideration reminding the need of keeping these provisions under review attending to eventual future agreements of the Governing Board. Ms. de la Fuente invited the ETC to make comments on writing to the draft and asked about the procedure to be followed in what concerns the Governing Board once the text would be ready, whether it would need to be approved by it or simply presented for information.

Participants in the meeting made some comments on concrete aspects of the text. The ETC agreed that modifications concerning strategic aspects and the structure of the ETC should be connected to the Training Strategy to be approved at the VII EUROSAI Congress and to an eventual global strategy for EUROSAI; so, strategic/structural issues and operational/functioning aspects should be object of separate analysis.

6. IDI and INTOSAI new developments and their impact in the cooperation with EUROSAI


Magnus Borge made a presentation on the IDI Strategy 2007-2012 focussing it in aspects specially connected to EUROSAI. He stressed the vision, mission, main goals and core values of IDI Strategy, making specific reference to the points where strategic shifts had been performed. He made mention to IDI perspective on capacity building, needs assessments and the role of IDI to cover them, strategic planning and concrete capacity building programmes foreseen, performance indicators under development, evaluation and report.

Archana Shirsat went deeper into the topic concerning capacity building and informed on a CBNA survey sent by IDI to 10 CIS countries, most of them EUROSAI members, to collect information on different areas to be taken into account for capacity building programmes, on a global programme on Public Debt Management Audit, and on some other developments of IDI. She highlighted how important is taking into account the lessons learnt to programme future activities.

Fyodor Shelyuto asked IDI to be more in contact with EUROSAI when deciding which countries should benefit from their initiatives. This way the actions of IDI and EUROSAI could be better coordinated.

Magnus Borge pointed out that, perhaps, EUROSAI could take more advantage of the training materials and networks created by IDI and cooperation between both Entities could be developed at more practical level.

6.2. Results of the XIX INCOSAI

Eszter Dürr delivered a power point presentation for information. She offered to provide more information on writing, if required, as due to the pressure of the agenda it was not possible to enter into further details during the meeting.

6.3. Developments of the INTOSAI Strategic Plan 2005-2010

Eszter Dürr offered to provide information on this item on writing as the pressure of some items of the agenda still pending to be discussed for raising proposals to the Governing Board and the VII Congress made it advisable to devote them further time.

6.4. Developments of the INTOSAI Capacity Building Committee and possible ways of cooperation with the ETC

Idriss Aziz, representative of the SAI of Morocco as the Chair of the INTOSAI Capacity Building Committee (CBC), made a presentation. He gave an overview on the CBC and its organisational structure, its developments and main achievements during 2007-2008 in reference to each of the four main strategies identified by the INTOSAI Strategic Plan, as well
as on the expected outcomes for 2008-2010. He suggested possible lines of collaboration between the CBC and the ETC, mainly based on cooperation and mutual support in order to achieve CBC and ETC shared objectives to improve staff skills, developing and sharing information, sharing databases of experts and materials on capacity building projects, using the CBC and EUROSAI websites and setting up links between them, and creating multi-donor trust fund for the worldwide strengthening of SAIs.


7.1 and 7.2. Discussion on the draft EUROSAI Training Strategy to be presented to the Governing Board and the VII Congress, and on the main lines of the operational plan for performing the Training Strategy

The representatives of the SAI of Hungary, on behalf of the Task group entrusted by the ETC to review the EUROSAI training strategy for the next three-year period (SAIs of France, Hungary, Spain and United Kingdom) presented a draft discussion paper, previously circulated for comments to the ETC members. The paper contained basic facts and figures concerning the performance of the Training Strategy 2005-2008 and the operation of the ETC to put it into practice. It also raised some key questions that should be taken into account for the revision of the strategy: needs and priorities, efficiency of delivery, expected achievements and constraints. It finalised with a proposal of actions to be taken.

A discussion was open and the ETC exchanged ideas, in a brainstorming process, on the following topics:

- Does the training strategy need to be reviewed? Why?
- Which should be the main goals on training matters to be achieved by EUROSAI at long term?
- Should the EUROSAI training strategy take into account the new developments in the environment (INTOSAI, IDI...)?
- Should the strategy be focussed only on training or should it cover also capacity-building issues?
- Which should be the main strategic goals for the next three-year period? Are the ones of 2005-2008 still valid? Are they feasible?
- Essential aspects that should be considered for performing the future training strategy (promoting cooperation, keeping needs updated and meeting priorities, training quality, training evaluation, financing, attention paid to diversity...).

The ETC agreed that the EUROSAI training strategy should be reviewed learning from the results of the evaluation of the Strategy 2005-2008 performance and taking into account and trying to integrate the new developments held in INTOSAI. The following points should be taken into account in the revision:

- The strategy, maintaining its traditional task of promoting training, should explore also new fields in the area of institutional development.
- A more efficient and visible strategy and an operational plan relevant and focussed to the needs of the SAIs in the Region would be desirable.
- The strategy should present its mission, vision, main goals and core values creating added value for all EUROSAI members through delivery of training, knowledge and information sharing and institutional development; targeting the capacity demands of the diverse groups of SAIs within the Region.
- Internal and external cooperation, learning from each other, networks of experts, exploring learning activities, monitoring quality and outcome of training activities should be promoted for implementing the training strategic priorities.

The ETC asked the Task group set up for this purpose to draft a proposal of Training Strategy 2008-2011 and a draft resolution, that should be circulated for comments to the ETC members for having a final version to be presented to the Governing Board and the VII EUROSAI Congress. A draft operational plan for the ETC to perform the Training Strategy approved by the Congress should be also prepared by the Task group. The SAIs of Denmark, Poland, Portugal and the ECA joined the Task group to support these works.

8. Reports and proposals to be presented to the VII EUROSAI Congress

María José de la Fuente reminded that the ETC should present to the XXXIII EUROSAI Governing Board meeting and to the VII Congress the following papers:

- Draft Resolution.

The ETC distributed the tasks for drafting the papers and fixed a calendar for circulating the drafts among the participants, making comments, and finalising the final versions of the papers to be presented to the Governing Board and the Congress.
9. EUROSAI financial matters

9.1. Requests for funding from EUROSAI budget

- **Financial request for the Seminar “Auditing Social Security systems”, Prague (Czech Republic), 2008**

  Zuzana Holoubkova presented the Seminar on auditing Social Security systems to be held in Prague from 9-12 November 2008, as well as the request from EUROSAI budget for a total amount of 10,400 € for supporting expenses of external experts and costs of technical equipment and conference room for the mentioned Seminar. María José de la Fuente facilitated information on financial matters, clarifying that the request fulfilled the financial prescriptions of EUROSAI.

  The ETC supported the request of the SAI of the Czech Republic.

- **Financial request for the Seminar “Experience with implementation and development of VFM audits in reaction to new challenges and changes in the environment”, Prague (Czech Republic), 2009**

  Zuzana Holoubkova presented the mentioned Seminar to be held in Prague in April 2009. She asked the ETC for supporting their request from EUROSAI budget for 7,000 € for financing the technical equipment and conference room for the Seminar. María José de la Fuente confirmed that the request covered the financial prescriptions of EUROSAI.

  Some general questions were raised on experts’ fees and CVs.

  The ETC supported the request of the SAI of the Czech Republic.

- **Financial request for the Workshop “Understanding CobiT in support of an audit of IT Governance”, Tallinn (Estonia), 2008**

  Helena Lopes presented the Workshop to be held in Tallinn on 9-10 October 2008, in cooperation with the EUROSAI IT Working Group, as well as the request of the Estonian SAI for an aid from EUROSAI budget of 4,000 € for covering costs of an external expert participating in the Workshop. Ms. Lopes announced that a second event on the topic would be organised in the University of Antwerp (Belgium) in 2009, for deepening in methodological matters. María José de la Fuente confirmed that the request of the Estonian SAI also covered the financial EUROSAI prescriptions.

  The ETC supported the Estonian’s request.

9.2. Financial provisions for training of the EUROSAI Budget 2009-2011

María José de la Fuente summarised briefly a paper circulated in advance to the ETC containing information about the EUROSAI Budget execution in the period 2005-March 2008. She put some questions to the ETC on financial matters concerning training in order to know whether it would be convenient to raise any proposal to the EUROSAI Secretary General that could be taken into account while drafting of Budget 2009-2011. These questions mainly referred to the convenience of reducing in that Budget the amount available for financing training considering that the requests from the 2006-2008 Budget had covered only some 70% of the available credit, and to the opportunity of modifying the indexes for fixing the limits of financial aids to be received by each SAI depending on their group of financial contribution to EUROSAI for making indexes more balanced.

The ETC supported maintaining the credit available for training in the EUROSAI Budget 2009-2011 and trying to promote a higher use of it proliferating new and more creative formulas to apply them. A discussion was raised concerning the indexes for fixing the limits of the amounts of subventions from the EUROSAI Budget, trying to make compatible flexibility attending to the circumstances of each training event with objective criteria that provide equity to the granting.

10. Date and venue of the XVII ETC meeting

The ETC considered that it would be convenient to hold its next meeting in the second half of 2008 or in early 2009 for dealing with the mandates received from the Governing Board as a result of the VII EUROSAI Congress. The SAI of Portugal offered to host the XVII ETC meeting on the second half of January or early February 2009.

The ETC thanked the SAI of Portugal for the offer and accepted it.

11. Miscellaneous

No topic was discussed under this item.

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Maria José de la FUENTE and Danièle LAMARQUE thanked the SAI of the Russian Federation for hosting so kindly and efficiently the XVI ETC meeting; as well as the participants for their contributions and the fruitful debates. The ETC meeting was closed.
The EUROSAI Training Committee (ETC) held its XVII Meeting in Lisbon on 29 and 30 January 2009, under the organisation of the Court of Audit of Portugal. In addition to ETC members the Meeting was also attended by representatives of the European Court of Auditors, IDI, the Presidency of the INTOSAI Capacity Building Committee (SAI of Morocco) and SIGMA; institutions with which EUROSAI is cooperating on a regular basis.

Although the minutes will be submitted for the ETC approval in its XVIII Meeting and will be published in the forthcoming issue of the EUROSAI Magazine, it is considered of interest to provide some advance information, by way of a summary, on the main debates held and decisions adopted:

1. The ETC discussed aspects related to the dual field of action in which it undertakes its tasks: the carrying out of the 2008-2011 Training Strategy, approved by the VII EUROSAI Congress, and the works on its own organisation and internal structure.

The purpose of the Training Strategy for this three-year period is to support and strengthen SAIs in the undertaking of their duties and to supply added value for EUROSAI members by means of promoting training and an exchange of knowledge. Its objective is to increase efficacy by focusing on the key priorities and on the demands for skills from the various target groups of SAIs in the Region.

2. An analysis was made of the situation concerning the application of the 2008-2009 operational plan for performing the EUROSAI Strategy, presented to the XXXIV Meeting of the Governing Board of the Organisation (Krakow, Poland, 5 June 2008). Also debated was the operational plan for the period 2009-2011, submitted to that Committee in its XXXV Meeting (Kiev, Ukraine, 23 June 2009).

3. A detailed examination was made of the scheduled actions in carrying out the strategic priorities for 2008-2011. These actions are aimed to promote and facilitate training for SAI staff so that they can become capable of developing and improving the skills and experience needed for performing their duties; to encourage the exchange of knowledge and experience with the purpose of enlarging the abilities and promoting the use of best practices in the field of public sector auditing; and also to contribute to institutional development in order to boost strong, independent and multidisciplinary SAIs.

In particular, the following issues were tackled:

- **Strategic Priority I. Training**: Need to identify and update the information on training needs of EUROSAI members; examination of the development, evaluation and lessons learned from activities and events carried out and scheduled in undertaking the Training Strategy; exploring learning alternatives (e-learning and initiatives in cooperation with universities); monitoring quality and outcome of EUROSAI training activities (management
The representatives of the SAI of the Czech Republic and IDI announced the forthcoming request for financial support in order to organise a seminar on the Common Agricultural Policy, and to cover the participation of EUROSAI members in a trans-regional training programme on the auditing of public debt management, respectively.

6. The representatives of the INTOSAI Capacity Building Committee, IDI and SIGMA reported on the activities carried out during the last year and their strategies for the future. A discussion ensued on possible cooperation formulas between the ETC and these bodies, fundamentally targeted at sharing experience and knowledge; at encouraging joint actions; and at promoting a greater exchange of training materials, of experts and of information available in their databases.

7. The XVIII ETC Meeting will be held in Paris (France), in March-April 2010.

The first work Session, devoted to the sustainability of public finances, included speeches from the SAIs of Hungary and Morocco, along with a talk from the economist Nicolas Baverez on public finances in view of the crisis.
The Second Session focused on the problem of the contribution of SAIs to the improvement in public management. Through talks given by the SAIs of Sweden, Saudi Arabia, Oman and Switzerland, the different components of the performance in public management were analysed, together with the role played by the SAIs for improving the transparency and efficacy of that management.

At the end of this Session, an intense debate took place, chaired by the two Presidents and Session Speakers, the Presidents of the SAIs of Finland, Algeria, Iraq and the European Court of Audit, as well as by the two coordinators of the French Court of Audit.

The third Session was devoted to the expectations of the players in modernization: Parliament, Executive and citizens, with contributions from Egypt, Portugal and Jordan.

This Conference highlighted the different ways in which SAIs can contribute to improving public management: a more strategic programming, focused on the challenges and risks of management; more diversified control methods; a significant training effort; a more exhaustive dialogue with the managers; some concrete proposals for reform, and a monitoring of the putting into practice of those proposals.

The opening and closing of the Conference was placed in the hands of Mr. Philippe Séguin, First President of the French Court of Audit. The Presidents of both Groups, Mr. Jacek Jezierski, President of the NIK of Poland, and Mr. Abdullah Abdullah Al Sanafi, President of the COCA of Yemen, gave speeches during the opening, as did Mr. Josef Moser, Secretary General of INTOSAI. The two Secretaries General, Ms. Faïza Kefi, First President of the Court of Audit of Tunisia, host of the First EUROSAI-ARABOSAI Conference, and Mr. Manuel Núñez Pérez, President of the Court of Audit of Spain, gave speeches during the closing Session, in which Mr. Henri Guaino, Special Advisor to the President of the French Republic, also spoke.

Finally, delegates were invited to spend some of their leisure time visiting, or revisiting, some of the outstanding sites of French heritage: the Palace of Versailles, the Hôtel de Lassay, residence of the President of the National Assembly, where a dinner was held on Monday evening, and the Palais Cambon, headquarters of the Cour des comptes.

The next meeting of the Contact Committee will be held on 1-2 December 2008 hosted by the European Court of Auditors in Luxembourg.
The VI EUROSAI/OLACEFS Conference took place from 13 to 16 May 2009, in the city of Porlamar, Margarita Island, in Venezuela. The theme dealt with was “Present and future environmental challenges and protection and conservation of natural resources”.

The sub-themes were:

Sub-theme 1: The role of the SAIs in safeguarding the patrimony of the natural resources of a nation.

Sub-theme 2: Importance of environmental joint audits in a global world.

Participating in this Conference were 18 SAIs from OLACEFS and 14 SAIs from EUROSAI. Also taking part as guests were, among others, the INTOSAI Development Initiative (IDI), the SAI of China as Presidency of ASOSAI, and ATRICON, with a total of 86 participants in attendance.

After a wide ranging debate on sub-theme 1, working groups 1 and 2 concluded among others: 1) that a common methodological tool needs to be identified for the SAIs, 2) for the purpose of improving environmental protection management there is a clear need for the SAIs to include activities in their plans that would promote the inclusion of environmental accounts for the registration of the natural patrimony in the accounts system of their countries; 3) the role of the SAIs in environmental audit matters is going to depend on their control capacities, since

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1 Contribution sent by the SAI of Venezuela.
some of them carry out financial, numerical and legal controls, and other prior or subsequent controls, 4) the idea needs to be promoted that the legislation of each country should establish the binding nature of the recommendations drawn up by the SAIs, along with their sanctioning and coercive power, when appropriate.

Consequently, in order to carry out these measures, the SAIs formulated the following general recommendations: 1) to sign the definitive memorandum of understanding among the countries of the Amazon, along with those of the Guarani aquifer, with the aim of combining their forces in order to maintain permanent control in the region over how the resources and the environment are being handled; 2) to promote an announcement from the SAIs for the executive bodies of each country to invest more resources in the conservation of the environment, 3) to try to get the SAIs to be assigned powers for applying moral, administrative and monetary sanctions on officials of the State whom SAIs confirm to be in violation of the ethics and the legal and reglamentary provisions governing over environmental matters; 4) to draw up a document of intent or a memorandum of understanding in order to demonstrate the concerns of auditors in controlling the environmental patrimony; 5) to design methodologies of environmental audits which would consider, among others, the evaluation of costs and the definition of standards, 6) to incorporate the environmental patrimony register into the system of national accounts.

In relation to sub-theme 2, working groups 1 and 2 emphasized, among others, the following aspects: 1) a good reason for drawing up a joint report could be the powerful message transmitted by the presentation of common findings and conclusions, 2) communication among the SAIs is essential for conducting joint audits, 3) experience and cooperation among SAIs is very important for each institution to be able to continue to make progress and face up effectively to common challenges.

In order to carry out these measures, the SAIs made the following recommendations to SAIs when it comes to conducting joint audits: 1) identify the resources constituting the patrimony of their countries and enter into agreements with other SAIs for carrying out environmental cooperative audits, 2) with the aim of deciding on the most suitable type of audit, the mandates, rules and procedures of participating SAIs must first be reviewed and evaluated, 3) set down in writing, in a formal document, the agreements reached, specifying the key points of their cooperation and the course to be followed by the audit, 4) select the type of audit that best accords with their ends, 5) adopt a final decision in order to agree on the data to include in the final joint report, 6) share best practices, 7) analyse the products issued by the Environmental Audit Working Group of INTOSAI, which provide a more detailed guide on environmental audits.
EUROSAI Working Group on Environmental Auditing

News from the EUROSAI Working Group on Environmental Auditing (WGEA)

In June last year the Office of the Auditor General of Norway became Chair of the EUROSAI WGEA after the Supreme Chamber of Control of Poland. The Work Plan for 2008 – 2011 was adopted at the 6th Working Group Meeting in Ukraine in October 2008.

In June last year the Office of the Auditor General of Norway became Chair of the EUROSAI WGEA after the Supreme Chamber of Control of Poland. The Work Plan for 2008 – 2011 was adopted at the 6th Working Group Meeting in Ukraine in October 2008. The main goals of the EUROSAI WGEA for the work plan period are to promote cooperative environmental audits, develop methodology and build capacity among our members within environmental auditing. The other objectives are dissemination and cooperation between EUROSAI’s working groups, INTOSAI’s working groups and other relevant organisations and institutions.

To support the Chair, a Steering Committee has been established with members from the European Court of Auditors and the SAIs of the Netherlands, Poland, Russia, Slovenia, Sweden, Ukraine and the INTOSAI WGEA. The Steering Committee is chaired by the SAI of Norway.

We are also very pleased to see that our working group now comprises as much as 45 member countries. The SAI’s of Turkey, Spain, Belarus, Kazakhstan, Moldova and Israel became members last year, hence most EUROSAI members are also members of EUROSAI WGEA.

The 6th EUROSAI WGEA Meeting 2008

The 6th EUROSAI WGEA Meeting was arranged in Ukraine in October 2008. Approximately 80 participants from 30 member countries and invited organisations attended the meeting. The topics of this meeting were fisheries management, the main goals of the EUROSAI WGEA for the work plan period are to promote cooperative environmental audits, develop methodology and build capacity among our members within environmental auditing.

The 6th EUROSAI WGEA Meeting 2008 (Photo: The Accounting Chamber of Ukraine).

[1] Contribution sent by The Office of the Auditor General of Norway, EUROSAI WGEA Secretariat
The Steering Committee is chaired by the SAI of Norway.

The topics of this meeting were fisheries management, sustainable energy and climate change.

The topic was Cooperative and coordinated environmental audits – lessons learned and best practice.

sustainable energy and climate change. The meeting report and all presentations are available at our website (http://www.riksrevisjonen.no/en/InternationalActivities/Eurosaiwgea/Activitiesandmeetings/6th+EWGEA+Meeting+2008/Kiev_2008.htm).

The EUROSAI WGEA regional meeting at the 12th Assembly meeting of INTOSAI WGEA in Doha, Qatar, January 2009

A EUROSAI WGEA regional meeting was arranged at the 12th Assembly meeting of INTOSAI WGEA in Qatar in January 2009. Approximately 30 participants attended this meeting. The topic was Cooperative and coordinated environmental audits – lessons learned and best practice. A presentation regarding this issue was made by the SAI of Austria followed by group discussions facilitated by the SAIs of Austria, Poland, the Netherlands and the Slovak Republic.

The 7th EUROSAI WGEA Meeting 2009

The 7th EUROSAI WGEA Meeting was arranged on 6 - 8 October 2009 in Sofia, Bulgaria. The Bulgarian National Audit Office was the host of the meeting. The topics were water management and use of external experts in audit projects.

The course on Auditing Biodiversity Issues

The EUROSAI WGEA Secretariat arranged a one-day course in auditing biodiversity issues based on the INTOSAI WGEA biodiversity training module. The course was arranged in connection with the 7th EUROSAI WGEA meeting in Sofia, Bulgaria, the day before the 7th EUROSAI WGEA meeting started, that was Monday 5 October 2009.

Information from the EUROSAI WGEA

The EUROSAI WGEA Secretariat disseminates 2-3 EUROSAI WGEA Newsletters each year. These newsletters are available on the EUROSAI WGEA website. If you want to receive the newsletter by email, please contact us.

For further information, please see our website (www.riksrevisjonen.no/en/InternationalActivities/Eurosaiwgea/) or contact the EUROSAI WGEA secretariat.

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EUROSAI Activities: Special Focus on Disaster Prevention

Task Force on the Audit of Funds Allocated to Disasters and Catastrophes

Recent natural and man-caused disasters in Europe have demonstrated that such calamities pose problems of a specific kind, necessitating numerous different aid measures. The loss of human life, the destruction of economic and social infrastructure and the degradation of already fragile ecosystems is expected to worsen as climate change increases the frequency and magnitude of extreme meteorological events, such as heat waves, storms, ice melting and floods.

All this requires the full commitment and involvement of the actors concerned, including governments, regional and international organizations, the private sector and the scientific community.

The abovementioned facts indicate convincingly on the need to draw more attention to the natural and man-caused disasters and catastrophes, analyze causes, effective and rational use of state funds for their prevention and consequences elimination, as well as the necessity of the in-depth study of this issue from the methodological point of view, including preventive methods.

Recognizing the need for SAI independence and the importance of the work performed in disaster-related sphere so far, the VII EUROSAI Congress approved a Resolution on the establishment of the Task Force on the Audit of Funds Allocated to Disasters and Catastrophes under the leadership of SAI of Ukraine.

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1 Contribution sent by the Accounting Chamber of Ukraine, EUROSAI Taskforce Secretariat.
This article outlines the activities and progress reached by the Task Force so far and provides the context for its Work Plan for the period 2009 to 2011.

Disaster profile in Europe

According to the United Nations, over the last 30 years world natural disasters have increased four times both in frequency and intensity with eightfold rise in economic damages. For the same period Europe suffered from about 2,000 natural disasters and 50 ml people were affected. Storms, floods and heat waves appeared to be the major threats to Europe.

The same picture stands hold with the man-caused disasters and their devastating effects. The United Nations report that Europe has been ranked second after Asia as per man-caused disasters and third as per number of those injured and killed in such disastrous phenomena.

The International Monetary Fund estimates that the average economic cost for each individual large scale natural or man-caused disaster event was over 5% of Gross Domestic Product (GDP). For comparison purpose, Ukraine spends annually over 3 % of GDP for the elimination of the catastrophe’s consequences at the Chernobyl NPP claimed to be the largest XX-century disaster which effects are still have to be mitigated.

There are a number of reasons why disaster prevention and elimination needs to be considered at the European level. Most obviously, disasters do not respect national borders and can have a transnational dimension as was the case with the 2002 floods and the 2007 forest fires.

Taking all this into consideration a complex international framework, involving aid organizations, NGOs, national governments, public and private companies, was established to tackle risk reduction challenges and coordinate recovery efforts. Emergency Events Database known as EM-DAT maintained since 1988 by the Center for Research on Epidemiology of Disasters (CRED), World Health Organization collaborating centre based in Brussels, is regarded a credible reference source.

**Getting started: from intentions to real work**

Realizing the increasing number of disasters and catastrophes caused by nature or a human being which have detrimental effects for the environment, population and society as a whole over the last decades in Europe, further threats and dangers of their possible occurrence, the Accounting Chamber of Ukraine first raised its anxiety and concern regarding this issue during III Meeting of the EUROSAI Working Group on Environmental Auditing (EUROSAI WGEA) in Bulgaria in 2004. The SAI of Ukraine thought it was essentially to perform an in-depth study of this problem and thus attract more attention and efforts of SAIs within their mandates in taking measures regarding the prevention and consequences elimination of such negative and dangerous phenomena.

Having the support of interested SAIs, the Accounting Chamber of Ukraine carried out a survey, the results of which proved the increasing anxiety and concern of European auditors regarding natural and man-caused disasters occurrence, nuclear safety and radioactive wastes. A special attention was paid to elimination of the disaster consequences at the Chernobyl Nuclear Power Plant.

Based on the survey results, in September 2005, the Expert Team Meeting attended by 11 SAIs was held in Kyiv, Ukraine. The Meeting results confirmed the SAIs further interest in these issues and, thus, possible activities were discussed to be taken in this direction.

Following discussions and consultations, the Assembly of the EUROSAI WGEA at its IV Meeting, November 2006, Luxembourg, adopted the Resolution by which the Special Subgroup on the Audit of Natural, Man-caused Disasters Consequences and Radioactive Wastes Elimination was established. The

![Losses from natural disasters in Europe by classes of disasters (1970-2007), USD billion](image)
The Subgroup was structured within EUROSAI WGEA, with the Accounting Chamber of Ukraine as its Chair and 7 SAI members.

To make the most of the given mandates to better respond to disaster challenges the interested SAIs decided to initiate the Subgroup’s activities in connection with a major International Co-ordinated Audit of the Chernobyl Shelter Fund, particularly in light of the large volume of international assistance at stake; the significant challenges in existence; and the risks and uncertainties that continue to surround the Chernobyl accident. Six members of the Special Subgroup (the SAIs of Ukraine, Poland, the Russian Federation, the Slovak Republic, Switzerland and the European Court of Auditors), as well as the interested SAIs of Germany, the Netherlands and the USA, cooperated in this Audit.

Following the audit results and relying on a clear evidence and established facts the collaborating SAIs underscored that the funds from an individual donor/contributor can no longer be tracked and audited as an individual cash-flow stream or account and have to be reviewed within the whole framework and complexity of interactions between donors, aid agencies and beneficiaries. It was strongly recommended on ensuring the transparency of funds used to good effect, fostering free flow of information and putting as much material as possible into the public domain and thus conveying disaster concerns to the national decision-makers and governments.

Since 2006, the SAI of Ukraine had regularly contributed its information to “INTOSAI Journal”, “EUROSAI Magazine”, “EUROSAI Newsletter” and INTOSAI WGEA “Greenlines”.

To provide a continued cooperation between SAIs and deliver better results the Accounting Chamber hosted three working meetings during 2007-2008 in Kyiv, Ukraine.

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In the course of such events the participants approved several principal documents, i.e. Terms of Reference and Work Plan for 2007 – 2008, held productive discussions and delivered summarized audit findings, as well as prepared the Joint Audit Report which was presented and signed by the Heads of participating SAIs during the VII EUROSAI Congress in Krakow in June 2008.

One of the core activities of the Special Subgroup, as it appeared in the Work Plan, was a communication with the media and other stakeholders through holding the press-conferences and publishing the information in the INTOSAI and EUROSAI printed and electronic editions. In such a way the Special Subgroup maintained the flexibility to respond to new emerging needs and ensure the sustainability and long-term viability of its results.

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Having acquired some practical experience in the domain of disaster consequences elimination and recognizing the clear relationship between development, disaster risk reduction, disaster response and disaster recovery and the need to continue to deploy efforts in all these areas, the Accounting Chamber of Ukraine suggested further addressing disaster-related matters at Europe level and, being inspired by a new relevant topic of the SAI independence and supported by the then EUROSAI WGEA Chair, it sought for operating with autonomy in line with the EUROSAI Statute.

It was proposed to make a strategic shift from the elimination to the prevention and preparation to the disasters and catastrophes.

To provide a continued cooperation between SAIs and deliver better results the Accounting Chamber hosted three working meetings during 2007-2008 in Kyiv, Ukraine.
Moving ahead to disaster prevention

Expressing deep concerns at the number and scale of natural disasters and their increasing impact within recent years and taking note with great interest and appreciation of the discussed issue and results accomplished since the first proposal of this ecological problem in 2004, the VII EUROSAI Congress established the Task Force on the Audit of Funds Allocated to Disasters and Catastrophes with SAI of Ukraine as its Chair.

It is expected that a newly-established EUROSAI Task Force will serve as a platform for the creation of a common vision for SAIs on the European continent facing the challenges around the disaster prevention with a special focus on natural calamities.

Since the moment of its establishment in 2008 a number of preparation activities were accomplished by the Task Force. As of April 2009, 14 SAIs expressed their intention to participate on the permanent basis and 3 SAIs as observers in the Task Force.

On March 17-18, 2009 the Supreme Audit Institution of Ukraine hosted I Meeting of the EUROSAI Task Force. 11 European member SAIs from Belgium, Norway, Belarus, Bulgaria, Iceland, Moldova, Poland, the Russian Federation, Hungary, Ukraine and the European Court of Auditors took part in the event. The Meeting was also attended by the state authorities, scientific and research institutions of Ukraine and international organizations, particularly, from the Ministry of Emergencies of Ukraine, National Academy of Sciences of Ukraine, United Nations Development Programme and the World Bank.

I Meeting was organized around three Plenary Sessions on introduction of national systems for prevention and consequences elimination of disasters and catastrophes, current processes and forecasts in the domain of natural and man-caused disasters in Europe and activities of the Supreme Audit Institutions in this area.

The objective of the Meeting was to discuss and approve the Task Force’s Terms of Reference and the Work Plan for 2009 – 2011, share information and lessons learned within the agenda sessions, as well as to establish and develop communication between its members.

*“Measures on the prevention and consequences elimination of disasters and catastrophes should be embedded in the governmental policy of both individual countries and the world community to achieve a sustainable social-economic development and stability on the planet. Until recently most countries’ approach to the disaster risk reduction focused mainly on the elimination, recovery efforts along with satisfying the basic needs of the people affected. However, due to the increase in disasters and losses caused by it currently a new task arises – disasters forecasting and prevention. A global prevention culture supported by scientific prognostication of future disasters should be accepted and widely used in our daily work,”*, underlined Dr. Valentyn Symonenko, Chair of EUROSAI Task Force, in his welcoming address.

With due regard to the lessons learned and best practice shared in the national presentations within Plenary Sessions by European auditors the following conclusions and reflections on the disaster-related issues were made:

- a country can benefit more from investing to the prevention than eliminating and recovering the disaster;

A country can benefit more from investing to the prevention than eliminating and recovering the disaster.
Information: EUROSAI News

For the purpose of fostering the Task Force’s activities the Accounting Chamber of Ukraine elaborated and agreed with all members its mission and Strategic Goals for the next 3 years.

The Task Force will report to the VIII Congress in 2011 on the progress and accomplishments of the activities performed and submit a proposal on the way forward with regard to its status and activities after 2011.

in XXI century an approach to disaster risk management must be multisectoral and multidisciplinary, as well as a key-stone when drafting national plans, legislature and standard operation procedures;

• a systematic approach to the information about frequency, intensity and main causes of disasters is the necessary condition for correct forecasting of these negative phenomena in the future;

• use of international database and following methodology accepted by international organizations could prove helpful since reporting factor seems the main variable and measurement method appears to be decisive;

• scientific evidence should be underlying and arguments should be solid to convince national decision-makers to make appropriate budget allocations;

• enhancing institutional responsibility and introducing intersectional discussions as the disaster management requires complex decision and cannot be sectoral;

• it is possible to conduct audits on disaster issues even if the countries do not have natural boundaries, but have signed intergovernmental agreements in the field of prevention of natural disasters and elimination of its consequences;

• SAI should monitor the disaster progress from the very minute of its beginning to keep abreast of all measures taken and further decide on audit commencement and not to lose evidence and not to disturb its auditees.

For the purpose of fostering the Task Force’s activities the Accounting Chamber of Ukraine elaborated and agreed with all members its mission and Strategic Goals for the next 3 years.

Thus, the EUROSAI Task Force shall seek to fulfil its mission, which is to coordinate and consolidate the efforts of European SAI towards increasing their awareness of disasters and catastrophes and to help governments develop effective and efficient instruments of disasters and catastrophes prevention and consequences elimination.

While focusing mainly on auditing preparedness of appropriate institutions to mitigate the consequences of disasters and catastrophes, the Task Force drafted 4 Strategic Goals as follows:

1. Surveying and Contributing to Audits.


3. Setting up new contacts and information sharing between European SAI.


Looking toward the future

Having set rather challenging tasks, the Task Force elaborated a relevant implementation scheme for each Strategic Goal bearing in mind its three-year mandate between the VII EUROSAI Congress in 2008 in Poland and the VIII EUROSAI Congress in 2011 in Portugal.

In this perspective the Task Force expects to achieve the following results taking into account the speculations mentioned below:

1. Creation of a database of the subject audits (it could serve as credible information sources for EUROSAI auditors).

2. Development of the glossary of disaster-related terms (considering discrepancies in terms definition and necessity for a unified glossary to be used within EUROSAI).

3. Conduction of the audit on disaster preparedness (based on the costefficient assumption that
every dollar invested into the risk reduction and disaster preparedness saves about USD 7 in economic losses from disasters).

4. Elaboration of the recommendations (guidelines) for the SAIs (for purposes of facilitating capacity building of SAIs using the available best practice and existing documents of international disaster reduction and INTOSAI bodies).

The Task Force presented its progress report at XXXV EUROSAI Governing Board in June 2009 in Kyiv. In addition, the Task Force will report to the VIII Congress in 2011 on the progress and accomplishments of the activities performed and submit a proposal on the way forward with regard to its status and activities after 2011.

At the moment the Accounting Chamber of Ukraine is in the process of distributing a comprehensive questionnaire among EUROSAI members to collect information on large-scale natural and man-caused disasters in Europe, their nature and classification, measures taken by the governments of the affected countries and identified risks. This questionnaire will serve as a starting point for all further activities of the Task Force and determine bottlenecks in disaster management, as well as possible SAIs’ roles in the given area.

Our primary goal is to convey the audit message to the European community for them to capture the essence of the worthwhile audit findings and results in the area of the prevention and consequences elimination of disasters and catastrophes.

For additional information, contact the EUROSAI Task Force Secretariat at ird@ac-rada.gov.ua and consult the EUROSAI Task Force web-page at www.ac-rada.gov.ua.

International Standards of Supreme Audit Institutions – Bringing Standards and Guidelines to Life in EUROSAI

The International Standards of Supreme Audit Institutions is one of the strategic priorities of INTOSAI. After the INCOSAI 2010, the challenge will be to secure implementation at the national level or in short: to bring the documents to life!

To meet this objective in EUROSAI, the Chair of the EUROSAI Governing Board, the SAI of Poland, and the Chair of the INTOSAI Professional Standards Committee, the SAI of Denmark, organized a seminar in Warsaw 28-29 October 2009: “Raising Awareness of the International Standards of Supreme Audit Institutions” – and all EUROSAI Members were invited.

Moving Forward with Standards - Together

“Standardization is not static. It is dynamic. It does not mean standing still – but moving forward together”.

The quote is from the American Engineering year book 1925. It illustrates that the concept of standardization is not a new phenomenon – quite the contrary. However, the basic motivation for working with standards and guidelines common to all INTOSAI members is that standing together will strengthen the individual SAI in

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1 Contribution sent by Ewa Miekina (Supreme Chamber of Control of Poland and Chair of the EUROSAI Governing Board) and Mette Hjort-Madsen (Rigsrevisionen of Denmark and Chair of the INTOSAI Professional Standards Committee).
The feed-back on how the INTOSAI standards are being implemented in the European SAIs is equally important also from the wide EUROSAI perspective. The seminar, constituting a forum for the SAIs to exchange their experience and knowledge is only a first step to be taken on a very challenging path of bringing the standards and guidelines to life. The intention of the EUROSAI Presidency is not only to provide the member SAIs with techniques and knowledge on how to implement the standards and guidelines once the seminar participants are back home, but also to follow-up the implementation in the region to create value for all European SAIs.

EUROSAI as a pilot region

EUROSAI, with its membership from Iceland in the north to Israel in the south, and from Portugal on the western coast line to Azerbaijan on the Eastern inland, is the most diverse of all INTOSAI regional organizations. The diversity includes the representation of different models of SAIs (board, auditor general, court), stages of development, scope of tasks and SAIs’ historical, cultural and linguistic backgrounds. However, all SAIs perform the same tasks and share similar values. It is the basic assumption of both INTOSAI and EUROSAI that there is always room for development and improvements.

The seminar was a pilot project – the first such project in the many years’ cooperation and collaboration between INTOSAI and EUROSAI.

EUROSAI and INTOSAI in partnership – Adding value to SAIs

The INTOSAI Professional Standards Committee does not assume the standards to provide a “one-size-fits-all”-directions on how to manage and organize a SAI. In the same way, there is no single “right way” of implementing the standards and guidelines within a SAI. Therefore, the seminar “Raising awareness of the ISSAI”, hosted by the SAI of Poland in October 2009 represented a unique chance for the PSC and all the experts and SAIs involved in its work to gather feed-back through live discussions on how the standards and guidelines are perceived and related to the daily work of SAIs.

The standards and guidelines help remind us of our basic values, but also provide us with valuable insight on how others have handled similar challenges.

We would like to make the seminar a tangent, where the INTOSAI’s motto: Experiencia mutual omnibus prodest stressing out the value of exchanging experience, meets the purpose of the EUROSAI Training Strategy for 2008-2011 of supporting and strengthening the SAIs in the performance of their role.

“Standardization is not static. It is dynamic. It does not mean standing still – but moving forward together”. 
This is a difficult, but extremely rewarding challenge which will have a clear-cut translation into the enhancement of the national auditing in our region.

The INTOSAI Development Initiative (IDI) is also a project partner in the organization of the seminar, and will collaborate in developing a model, which can be used by other regions of INTOSAI at a later stage. By developing the seminar in EUROSAI, we hope to be able to contribute with experiences and input to the discussions of SAIs of other INTOSAI regions around the globe.

For further questions with regard to the seminar content - Please email Raisingawareness@rigsrevisionen.dk;

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EUROSAI Activities in 2009

- XVII EUROSAI TRAINING COMMITTEE MEETING, Lisbon (Portugal), 29-30 January.
- I MEETING TASK FORCE “EUROSAI STRATEGIC PLAN”, Warsaw (Poland), 26-27 February.
- I MEETING EUROSAI TASK FORCE “AUDITS FUNDS DISASTERS AND CATASTROPHES”, Kiev (Ukraine), 17-18 March.
- II EUROSAI - ARABOSAI CONFERENCE, Paris (France), 30-31 March.
- SEMINAR ON “EXPERIENCE WITH THE IMPLEMENTATION AND DEVELOPMENT OF VFM AUDIT IN REACTION TO NEW CHALLENGES AND CHANGES OF THE ENVIRONMENT”, Prague (Czech Republic), 27-29 April.
- VI EUROSAI-OLACEFS CONFERENCE, Margarita Island, (Venezuela) 13-16 May.
- II TASKFORCE MEETING “REVIEW OF THE EUROSAI TRAINING COMMITTEE STRUCTURE”, Bonn (Germany), 3 June.
- MEETING OF THE EUROSAI WORKING GROUP ON INFORMATION TECHNOLOGY, Bern (Switzerland), 7-9 June.
- II TASKFORCE MEETING “EUROSAI STRATEGIC PLAN”, Warsaw (Poland), 9-10 June.
- XXXV EUROSAI GOVERNING BOARD MEETING, Kiev (Ukraine), 23 June.
- SEMINAR “DEVELOPING AN IT AUDIT PROGRAMME BASED ON COBIT”, Antwerp (Belgium), 1-2 October.
- SEMINAR ON BIODIVERSITY AND VII MEETING OF THE EUROSAI WORKING GROUP ON ENVIRONMENTAL AUDIT, Sofia (Bulgaria), 5-8 October.
- SEMINAR “RAISING AWARENESS OF THE INTERNATIONAL STANDARDS OF SAIs (ISSAI)”, Warsaw (Poland), 28-29 October.
- III TASKFORCE MEETING “EUROSAI STRATEGIC PLAN”, Potsdam (Germany), 10 November.

Advance of the EUROSAI Agenda 2010

- SEMINAR FOR EUROSAI MEMBERS “PERFORMANCE AUDIT OF SOCIAL PROGRAMMES FOR PROFESSIONAL INTEGRATION OF THE DISABLED- A PRACTICAL APPROACH TO EVALUATING ECONOMY, EFFICIENCY AND EFFECTIVENESS”, Warsaw (Poland), 13 and 14 January 2010.
- SEMINAR OF THE EUROSAI WORKING GROUP ON ENVIRONMENTAL AUDIT ON AUDITING CLIMATE CHANGE, Copenhagen (Denmark), 22-23 March 2010.
- SEMINAR OF THE INTO-SAI ON THE INDEPENDENCE OF SAIs, Vienna (Austria), May 2010.
- XXXVI EUROSAI GOV-ERNING BOARD MEETING, Madrid (Spain), September 2010.
- COMMEMORATION EVENT OF THE XX ANNIVERSARY OF EUROSAI, Madrid (Spain), September 2010.
- PLENARY MEETING OF THE EUROSAI WORKING GROUP ON ENVIRONMENTAL AUDIT, The Netherlands, 5-7 October 2010.
- SEMINAR “AUDIT OF THE COMMON AGRICULTURAL POLICY”, jointly organised by EUROSAI and the Contact Committee of Heads of SAIs of the European Union, Czech Republic, 19 to 21 October 2010.
- XX INCOSAI, Johannesburg (South Africa), from 22 to 27 November 2010.

New EUROSAsI Member

- STATE AUDIT OFFICE OF SERBIA

The XXXV EUROSAI Governing Board approved the request from the SAI of the Republic of Serbia to become a EUROSAsI Member.

Appointments on EUROSAsI SAIs in 2009

- THE ACCOUNTS COMMITTEE FOR THE CONTROL OVER EXECUTION OF THE REPUBLICAN BUDGET OF KAZAKHSTAN, Mr. Omalkhan Nur-tayevich Oxibayev, elected President of the SAI of Kazakhstan.
- THE SWEDISH NATIONAL AUDIT OFFICE, Mr. Claes Nor-gren, was designated as Auditor General of the NAO of Sweden.
- THE NATIONAL AUDIT OFFICE OF THE UNITED KINGDOM, Mr. Amyas Morse was appointed Comptroller and Auditor General of the National Audit Office of the United Kingdom.
- THE ROMANIAN COURT OF ACCOUNTS, Mr. Nicolae Vâcăroiu was designated President of the Romanian SAI.
- THE NATIONAL AUDIT OFFICE OF IRELAND, Mr. John Buckley, elected Auditor General of Ireland.
- THE SAI OF TURKEY, Mr. Recai Akyel, elected President of the Turkish SAI.
- COUR DES COMPTES OF BELGIUM, Mr. Philippe Roland, designed new President of the Court des comptes of Belgium.
Meeting of the Heads of the Supreme Audit Institutions (SAIs) of the European Union
(Luxembourg, 1-2 December 2008)

The 2008 annual meeting of the Contact Committee of the Heads of the EU SAIs was hosted by the European Court of Auditors (ECA), and chaired by the Court’s President, Mr. Vítor Caldeira. The Heads of the SAIs of the Candidate Countries – Turkey, Croatia, the former Yugoslav Republic of Macedonia – as well as representatives from the EUROSAI Training Committee, SIGMA and IDI attended as active observer.

The 2008 Contact Committee meeting took place at a time when Europe and the rest of the world were still in the process of absorbing the global shockwaves originating from the crisis of the financial markets. Against this background, the main thematic focus of the 2008 Contact Committee meeting were discussions on the EU Budget Reform and the revised Lisbon Strategy 2008-2010; two subjects that are of relevance to the management of the financial crisis affecting the EU and its Member States. Both subjects were elaborated during panel discussions followed by a lively debate.

The Commissioner for Financial Programming and the Budget, Mrs Dalia Grybauskaité, was invited to give the lead presentation on the budget reform. She underlined that there is generally agreement that the EU Budget needs to be modernized and that the reform should cover the whole budget - expenditure and revenue. The spending calls for new priorities like climate change, global competitiveness, energy supply and security, Trans-European Networks, innovation, research and education. Regional and cohesion policy need to be more concentrated on less-developed Member States and regions. The CAP funding, which is not able to pass the added-value test, calls for a radical reform. And the complex EU revenue system needs to be reformed towards more clarity, simplification and transparency.

The ensuing discussion confirmed that action is needed and showed how important the role of the SAIs is in this respect. Their risk assessment will play a decisive role in a financial environment where the flow of money is stagnating. They need to consider the cost of audits and the level of tolerable risk, the beneficiaries wanting more “soft rules” and the paymasters stricter control.

Likewise, the second subject – the revised Lisbon Strategy 2008-2010 – was discussed against the background of financial crisis and further economic slowdown. There was optimism that the revised Lisbon Strategy might help to curb the adverse effects of the financial crisis. In Spring 2008, the European Council accepted the proposal to launch a new three year cycle of the Lisbon Strategy. Furthermore, in the face of the financial crisis, the Commission has proposed “A European Economic Recovery Plan” containing measures linked to the four priority areas of the Lisbon Strategy (people, business, infrastructure and energy, and research and innovation).

The goals and measures of the Lisbon Strategy are important to all EU Member States: increasing the rate of employment, reducing administrative bureaucracy, reducing the emissions of greenhouse gases are only some of them. In implementing the Lisbon Strategy, each EU Member State focuses its reform efforts on different issues and lays them down in its national reform programme. The Contact Committee highlighted that these programmes and the measures taken under the Lisbon Strategy offer a wide variety of challenging audit approaches for SAIs. In this context, the Contact Committee underlined that the revised Lisbon Strategy provides a common “umbrella” and challenge to independent external auditors at all levels.

The remaining agenda items were to provide the Contact Committee with an overview of the status of the various activities on which SAIs currently cooperate. Among them the development of a platform for the exchange of ideas on EU audits, the results of a seminar on national declarations that was held in September 2008 in Copenhagen, and furthermore, the Contact Committee selected a number of new activities to be started in 2009. The working groups presented their activities during 2008 and their work plans for 2009, and the Network of SAIs of the Candidate and Potential Candidate Countries gave a brief overview of their activities.

The next meeting of the Contact Committee was held on 30 Nov. – 1 Dec. 2009 in Budapest hosted by the State Audit Office of Hungary.
The European Court of Auditors’ opinion on the EU accounts is now ‘unqualified’. The opinion on the underlying transactions remains broadly similar to that of last year. The Court identifies the need for improvements in supervisory and control systems and recommends the simplification of regulations.

On 10 November 2008, the European Court of Auditors published its Annual Report on the implementation of the 2007 EU general budget.

The 2007 Annual Report is structured around groups of policy areas, which correspond closely, but not entirely, with the 2007-2013 financial framework headings. As a consequence, compared to previous years, two new specific assessments have been introduced, one on Education and citizenship and one on Economic and financial affairs (previously covered under Internal policies), and two previous assessments (Pre-accession aid and External actions) have been merged into one on External aid, development and enlargement.

The Court concludes that the 2007 annual accounts of the European Communities give a fair presentation, in all material respects, of the financial position of the European Communities and the results of their operations and cash flows. The qualifications expressed in last year’s annual report on the 2006 accounts are, due to the improvements that have taken place, no longer necessary. This is a positive development: for the first time under the accruals based accounting rules, the Court provides an unqualified opinion on the consolidated accounts.

As regards the legality and regularity of the transactions underlying the accounts, for 2007 the Court gives unqualified opinions for revenue, commitments and payments for economic and financial affairs and Administrative and other expenditure. In these areas the Court concludes that transactions are free from material error and supervisory and control systems are implemented in a manner which ensures adequate management of the risk of illegality and irregularity.

For Agriculture and natural resources; cohesion; research; energy and transport; external aid, development and enlargement; and education and citizenship the Court concludes that payments are still materially affected by errors, although to different degrees. Supervisory and control systems covering these areas are judged to be only partially effective. The Commission and the Member States and other beneficiary states need to make further efforts to improve risk management.

In research, energy and transport the Court notes certain improvements in the supervisory and control systems. The same is true, at the level of the Commission, for the supervisory and control systems covering external aid, development and enlargement. In both instances these changes are however not significant enough to alter the nature of the opinions given.

In terms of expenditure area the Court reports:

In the area of cohesion (€ 42 billion), the Court’s 2007 audit findings concerned payments in respect of the 2000-2006 period, as spending for the 2007-2013 period for 2007 is only in the form of advances. As such, any improvements in the control systems for the new period will only become evident in future years. The Court has established a sample estimate, based on which it concludes that at least 11% of the total amount reimbursed should not have been reimbursed. In the cases audited by the Court in 2008 the most frequent causes of incorrect expenditure reimbursements in the Structural Funds were inclusion of ineligible costs, over-declarations of money spent and serious failures to respect procurement rules.

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The Court’s estimate of the overall level of error in agriculture and natural resources (€ 51 billion) is not significantly different from the value obtained in 2007, but does not take account of certain serious errors which could not be quantified. Rural development accounts for a disproportionately large part of the overall error while for EAGF expenditure the Court estimates the value of the error rate to be slightly below the materiality threshold (2%).
The integrated administration and control system for agriculture (IACS) continues to be effective in limiting the risk of irregular expenditure where properly implemented and if accurate and reliable data on entitlements are introduced. The recent introduction in the single payment scheme (SPS) of support measures, such as those related to olive oil, is a positive development although it entails new risks that might lead, in the short term, to a higher frequency of errors. The Court considers that the systems for calculating entitlements were only partially effective and that they do not yet provide reasonable assurance that the annual SPS payments are correct.

For expenditure related to external aid, development and enlargement (€ 6 billion), the Court found errors concerning eligibility and lack of supporting evidence. Furthermore, delegations in beneficiary countries are still not succeeding in preventing weaknesses at project level while the Commission’s system of checks on its own payments and contracts was generally effective. The Court found improvements in the Commission’s project audit system, although the quality of such audits is still not always sufficient. Procedures have to be further developed to derive full benefit from the additional risk-based project audits.

For the research, energy and transport (€ 4.5 billion) area of expenditure, the Court concludes that, despite some improvements, the Commissions’ supervision and control is only partly effective in mitigating the risk of overstatement of indirect costs (overheads) and personnel costs mainly due to a complex legal framework, with a large number of eligibility criteria. The Court has found that audit certification has not solved the problems and sanctions are not sufficiently applied. Recommendations focus on a possible introduction of a results-based, rather than input-based, financing system.

As regards payments underlying the policy group education and citizenship (€ 1.5 billion), the Court concludes that they are affected by a material level of error of legality and regularity. Its assessment of the supervisory and control systems is that they are only partially effective for the policy group as a whole.

The Court concludes that transactions in the area of administrative expenditure (€ 8 billion including revenue and economic and financial affairs) are free from material error and the supervisory and control systems in place conform to those required by the Financial Regulation. The Court acknowledges decisions and actions taken by the different institutions, including Parliament, based on previous recommendations made by the Court.

Finally, for revenue transactions and the economic and financial affairs policy group the Court concludes that they are free from material error and related supervisory and control systems are assessed as effective, although the Court draws attention to certain weaknesses.

The Commission has since 2000 been working on a reform program to improve the management of the EU budget, including an action plan launched in 2006. For 2007, the Court has identified further progress in the Commission’s supervisory and control systems, in particular in the area of monitoring and reporting. By the end of the year the Commission had implemented two thirds of the sub-actions in the action plan. It is however too early to assess their impact.

Improved high level controls - such as Commission supervision of Member State controls - cannot compensate for inadequate lower level controls, including on-the-spot-checks. The benefits of increasing the number of the latter however have to be balanced against the costs. The Court encourages the political authorities of the Union to conclude their analysis of what would be a tolerable level of risk of error.

The Court also calls for due consideration to be given to simplification - for example in rural development and research. Well designed rules that are clear to interpret and simple to apply decrease the risk of error.

"As in previous years we give a number of recommendations on how the management of EU funds can be improved within the current set-up. However, under the current review of the budget the Court has also stressed the need to think radically about the design of expenditure programs. This can be about simplification but also considering critically the appropriate level of national, regional and local discretion in managing programmes." said Mr. Vítor Caldeira, President of the Court, in his presentation of the 2007 Annual Report to the Committee on Budgetary Control of the European Parliament.

The Court's Annual Report on the implementation of the 2007 EU budget can be found on http://eca.europa.eu/products/AR07 •
Other Reports and Opinions Published by the European Court of Auditors

Since the publication of the 2006 Annual Report, the European Court of Auditors has issued 13 Special Reports (SR) and 5 Opinions covering different aspects of EU finances and management issues.

The Special Reports are:

**SR 1/2008** concerning the procedures for the preliminary examination and evaluation of major investment projects for the 1994-1999 and 2000-2006 programming

**SR 2/2008** concerning Binding Tariff Information (BTI)

**SR 3/2008** The European Union Solidarity Fund: how rapid, efficient and flexible is it?

**SR 4/2008** concerning the implementation of milk quotas in the Member States which joined the European Union on 1 May 2004

**SR 5/2008** The European Union’s agencies: Getting results

**SR 6/2008** concerning European Commission Rehabilitation Aid following the Tsunami and Hurricane Mitch


**SR 8/2008** Is cross compliance an effective policy?

**SR 9/2008** The effectiveness of EU support in the area of freedom, security and justice for Belarus, Moldova and Ukraine

**SR 10/2008** EC Development Assistance to Health Services in Sub-Saharan Africa

**SR 11/2008** The management of the European Union support for the public storage operations of cereals

**SR 12/2008** Instrument for Structural Policies for Pre-accession (ISPA), 2000-2006

**SR 1/2009** Banking measures in the Mediterranean area in the context of the MEDA programme and the previous protocols

The following Opinions have been issued by the Court since the 2006 Annual Report:

**1/2008** Opinion on a proposal for a Decision of the Management Board of the European Aviation Safety Agency amending the Agency’s Financial Regulation


**3/2008** Opinion on a proposal for a Council Regulation amending Regulation (Euratom, ECSC, EEC) No 549/69 determining the categories of officials and other servants of the European Communities to whom the provisions of Article 12, the second paragraph of Article 13 and Article 14 of the Protocol on the Privileges and Immunities of the Communities apply


**5/2008** Opinion on a proposal for a Council Regulation amending the conditions of employment of other servants of the European Communities

In 2008, the Court adopted 31 specific annual reports pertaining to the European agencies and other decentralized bodies. Each report includes an opinion on the reliability of their 2007 financial statements and on the legality and regularity of their underlying transactions.

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

The independence of Supreme Audit Institutions, taking special account of the Lima and Mexico Declarations

DR. JOSEF MOSER
President of the Austrian Court of Audit and Secretary General of INTOSAI

In 2009, INTOSAI has chosen as theme for the year, that of the independence of the Supreme Audit Institutions throughout the world. The communications strategy of the INTOSAI Task Force, under the management of the Secretary General of INTOSAI, is paying special attention in 2009 to this topic of essential importance for external auditing of public finances.

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The main function of external auditing of public finances consists of ensuring that public funds are used economically, profitably and effectively. In order to be able to carry out this task efficiently, the Supreme Audit Institutions have to be able to act independently of the audited bodies and protected from outside influences. This independence of said authorities guarantees the preparation of reports on the results of the audit that are balanced, reliable and objective. Therefore, it is not just of the utmost importance for a transparent public administration, it also guarantees the effective exercise of the function of control over parliaments and reinforces the confidence of the population in the state administration. For this reason, the defence of independence is one of the fundamental principles by which INTOSAI – International Organisation of Supreme Audit Institutions – acts throughout the world.

Lima and Mexico Declarations

Since its founding in 1953, INTOSAI has been concerned with preserving the independence of the Supreme Audit Institutions. There has been no event of INTOSAI, be it a seminar, meeting of presidents or congress, in which the topic of independence has not, directly or indirectly been dealt with. Members of INTOSAI are convinced that without an authentic independence audits cannot be conducted that will guarantee the objectivity of the result. Without independence, audits and reports lack credibility.

As an expression of this conviction, on the occasion of the IX Congress of INTOSAI 1977 the principles of independence were summarised in what is known as the “Lima Declaration of guidelines on auditing precepts” (abbreviated to the Lima Declaration). The Lima Declaration establishes, among other matters, what is to be understood by “independence”.

Since its founding in 1953, INTOSAI has been concerned with preserving the independence of the Supreme Audit Institutions.
The principles of independence for Supreme Audit Institutions, as these are set down in the Lima Declaration, can be summarised as follows.

1. Organisational independence must ensure
   - the independence of members of the Supreme Audit Institutions (absence of subordination; no possibility of arbitrary dismissal) and
   - the subordination of the auditors to the Managers of the Supreme Audit Institutions – at least in their fundamental aspects – as well as
   - no outside influence is exerted on the auditors.

2. Functional independence implies that
   - the auditing powers of the Supreme Audit Institutions are specified in the constitution,
   - the Supreme Audit Institutions are free to design the audit programme and
   - the Supreme Audit Institutions can freely design the reports that are going to be published.

3. Financial independence signifies that
   - Supreme Audit Institutions, if necessary, request the organ (normally Parliament) responsible for approving the General Budgets for the State for the means that they consider to be necessary
   - during the financial year they can freely avail themselves of the means authorised for them in the budgets.

In order to be able to help all its members in the best possible way so that they can achieve a greater independence, on the basis of the Lima Declaration, now known worldwide as the “Magna Carta” of external auditing of public finances, INTOSAI drew up the “Mexico Declaration on SAI independence” (abbreviated to the Mexico Declaration), which was approved on the occasion of the XIX Congress of INTOSAI 2007 in Mexico.

The objective of the Mexico Declaration is to establish the independence of Supreme Audit Institutions, if this is not already legally (constitutionally) consolidated in their countries, as well as the imposition of real independence for all Supreme Audit Institutions whose independence is legally (constitutionally) set down in writing but in practice does not exist.

The Mexico Declaration sets the following eight core principles of independence, recognised by the Supreme Audit Institutions in general, as an important requisite for proper auditing of public finances:

1. Independence in their juridical condition: in order to guarantee the proper influence and the necessary juridical condition for the Supreme Audit Institutions in the country, their existence, and also the recognition of their independence in the Constitution.

2. Independence in their financing: Supreme Audit Institutions must have the necessary and appropriate personnel, material and financial resources. They must be able to freely decide on their budget and their personnel and not have to depend on the government nor on its authorities in any way.

3. Independence of its personnel management: conditions for the appointment of managers of the Supreme Audit Institutions and “Members” (in collegiate Entities) must be legally established. Nevertheless, the independence of the managers of the Supreme Audit Institutions and “Members” can only be guaranteed if they are appointed for a sufficiently long and firm period of mandate and can only be removed via a procedure that is independent of the Government and of the authorities. This allows the
managers of the Supreme Audit Institutions and "Members" to carry out their functions without fear of reprisals.

4. Independence when auditing: in order to be able to comply efficiently with their mandate it is indispensable that the Supreme Audit Institutions can freely determine their topics of audit, their auditing schedules, their methods and conducting, as well as the organisation and management of their Institutions. In their work, they must not be exposed to any subordination to legislative bodies or to the administration nor to their influence.

5. Independence in the supply of information: the bodies being audited are obliged to provide the auditors, on an unlimited basis, with all documents and information needed for carrying out their duties.

6. Independence in the presentation of the audit results: the Supreme Audit Institutions must report at least once a year on the results of their audits, without being able to be obstructed should they wish to produce reports more often.

7. Independence in the content and timing of reports: the Supreme Audit Institutions choose the content and moment for publication of their reports and they are authorised to publish them and disseminate them afterwards following their presentation to the corresponding authorities.

8. Independence via their efficacy (follow-up mechanisms): the Supreme Audit Institutions must independently ensure that their enquiries and assessments are taken seriously and that their recommendations are applied. For this end, the Supreme Audit Institutions must have their own independent internal follow-up system.

Declarations of INTOSAI and United Nations

The subject of the independence of Supreme Audit Institutions is of special interest for the United Nations, since the independence of external auditing of public finances is an important requisite for good government and a public administration that is transparent, responsible and with the capacity to react — objectives which the international community has for decades been encouraging and supporting in many different ways. The United Nations is in favour of a more solid role for the Supreme Audit Institutions as far as compliance and implementation of international commitments, treaties and contracts are concerned, especially the *Millennium development goals* (MDGs) established in the United Nations Millennium Declaration of September 2000.

Given that the Supreme Audit Institutions can only comply with their functions if they are independent of the body to audit and are protected from outside influences, the assurance of the independence of auditing of finances is also an important condition so that INTOSAI and the Supreme Audit Institutions can make a major contribution for attaining the millennium goals.

In order to be able to place this potential on one side of the scales, the Secretary General of INTOSAI addressed the United Nations in order to insistently demand the inclusion of the Lima and Mexico Declarations in a United Nations resolution. If the importance of the independence of Supreme Audit Institutions is to be able to be reinforced on a worldwide basis with the aim of promoting transparency, the obligation of accountability and the confidence of citizens in the powers of the State, these two pioneering documents of INTOSAI must be included in a corresponding resolution of the United Nations and with it in International Law.

For this purpose, the Secretary General of INTOSAI got in touch directly with the Secretary General of the United Nations, members of the United Nations Committee of Experts on Public Administration (CEPA), the Director of the division for Public Administration and Development Management of the United Nations (UN-DESA), and also with members of the United Nations Economic and Social Council (ECOSOC).
CEPA, as an influencing body of the United Nations and on the initiative of the Secretary General of INTOSAI, has now expressly acknowledged the independence of Supreme Audit Institutions and has included this in its recent report on the 8th session in New York held in April 2009. In general, the request from INTOSAI has so far received a very positive response.

Participants in the 20th UN/INTOSAI Symposium, held in Vienna last February, in their final conclusions and recommendations, also expressed their conviction that the Lima and Mexico Declarations should be included in the Law of the Community of International States by means of the corresponding UN resolution.

Independence and the communications strategy of the INTOSAI Task Force

Given that the communications strategy of the INTOSAI Task Force has selected the theme “Independence of the Supreme Audit Institutions taking special account of the Lima and Mexico Declarations” for the year 2009, it is preparing a dossier with this title on the subject of independence in the five working languages of INTOSAI, which will be provided for each of the Supreme Audit Institutions for their distribution and in order to increase its acceptance. In particular, the managers of SAIs must be provided with an instrument with which they can report to the legislating bodies, to the media and to other decision-taking leaders and opinion creators of their respective countries, briefly and summarily, on the subject of independence and raising awareness towards it.

Likewise, the International Journal of Government Auditing of INTOSAI contains articles from prestigious representatives of the science and control of international finances on the chosen annual theme. This subject will also be dealt with and commented on in full by the INTOSAI Collaboration Tool and the General Secretariat of INTOSAI.

Independence as a multidimensional concept

Summarising, it has to be stated that not just the entire community of INTOSAI but also a great many international institutions and organisations, as well as a continually growing number of legislating bodies throughout the world, acknowledge the independence of Supreme Audit Institutions as a multidimensional concept: multidimensional because this concept includes the constitutional, political, operational and professional independence of external auditing of public finances.

The independence of the Supreme Audit Institutions is not an absolute end, rather it is a necessary if not complete instrument that provides the auditors with a healthy measure of scepticism and the necessary objectivity, thus permitting a high quality and transparent audit to be conducted, but also one that is perceived as excellent and which must therefore be considered as the most important pillar of an independent, efficient and transparent auditing of public finances.
The independence of Supreme Audit Institutions

JAVIER MEDINA
Member of the Spanish Court of Audit

In order for a people to enjoy political rights to the maximum degree, in other words, in order for each citizen to have his or her share of sovereignty, institutions are needed that will maintain equality, prevent an increase in fortunes, outlaw privileges, and oppose the influence of wealth, of talent, even of virtue.

The above paragraph, whose content continues to be topical today, except perhaps its final reference, is the work of Benjamin Constant, appointed tribune by Napoleon in 1799 and later on Councillor of State during the One Hundred Days Regime, and it appears in his well-known work “On the spirit of conquest and on usurpation in relation to European civilization”.

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The above paragraph, whose content continues to be topical today, except perhaps its final reference, is the work of Benjamin Constant, appointed tribune by Napoleon in 1799 and later on Councillor of State during the One Hundred Days Regime, and it appears in his well-known work “On the spirit of conquest and on usurpation in relation to European civilization”. Within those institutions we have to include the Supreme Audit Institutions, which have been created in all modern states (independently of what the remote or recent origin of each of them might be or tries to be), as a necessary complement of the control function of the executive power by the Legislative Assemblies representing the popular will.

The first problem that is raised in order to achieve a suitable functioning of this type of institution is its independence. One has to start by stating the difficulty, in practice, of defining a concept as slippery as that of independence. And the fact is that no one individual or corporate body, be it public or private, enjoys, nor can it enjoy, independence when it is taken to its ultimate consequences. But having said this, and with the limitations which the concept of independence entails per se, it is true that what is really important in the Supreme Audit Institutions is not so much their structure, their composition or their position, as the status of organic and functional independence of these organs called on to exercise this control function. Organic independence is achieved by separating these bodies from the executive power and functional independence by demarcating their powers on the basis of technical specialisation, in such a way that it can analyse the management of public funds in line with the budget and in accordance with parameters that report on public spending in order afterwards to recommend as it sees fit for improving the efficacy, efficiency and economy of public spending. All this is without receiving any orders, instructions or recommendations at all from any organ or authority external to it. Indeed, as the Lima Declaration states: “the Supreme Audit Institutions can accomplish their tasks objectively and efficiently only if they are independent of the audited entity and are protected against outside influence”.

It is clear that independence is not absolute, as we have said above, in that the actual external control organs are immersed in the State itself, and are therefore subject to
The election has to be subject to a term of office of a defined duration and, if possible, one that does not coincide with the term of office of those who carry out the government and, therefore, with those who are the managers on which the control will have to be exercised.

Independence requires taking care over pressures both external, be they economic, social or political, and internal.

the Constitution and to the rest of the national legal code. In any case, the independent functioning of the external control organs has to be the object of sufficient legal protection and has to be guaranteed by a Supreme Court that preserves the control institution from any outside interference (section 5.3 of the Lima Declaration).

Independence does not just result from its location within a State organisation free of interference, or any outside limitations that would affect other external organs or authorities, it also manifest itself in a series of guarantees relating to their functioning. So, they need to have financial independence, which requires drawing up their own budget, within, of course, the necessities and magnitudes imposed by the general economic policy of each country and, in any case, having the financial means which, administered under their own responsibility, are necessary for accomplishing their tasks (section 7 of the Lima Declaration), notwithstanding, for the sake of legality and transparency, submitting oneself to the control mechanisms legally regulated by each State, because the non-existence of areas exempt from control is also an essential principle of any State governed by Rule of Law.

Likewise, the independence of the control organ has as its inescapable presupposition the independence of its members. Indeed, it is therefore necessary that the members of the control organ, in other words, those who have to take the decisions, whether this be on a collegiate of individual basis, have a constitutional or, as the case might be, legal statute assuring them of their independence both with regard to the actual organisation and in the integral and exclusive exercise of their powers. To achieve this, a detailed demarcation needs to be made of the powers and procedures for exercising them that correspond to each of the members of the organ and, of course, that their selection should correspond to Parliament in that it is the representative of the popular sovereignty and guarantor of democratic legitimacy. They have to be elected with the broadest possible consensus among all the parliamentary forces on the basis of professional suitability in the exercise of the post, in such a way that their aptitude and merits provide them with the necessary capacity for solving matters at all times according to technical criteria. The election has to be subject to a term of office of a defined duration and, if possible, one that does not coincide with the term of office of those who carry out the government and, therefore, with those who are the managers on which the control will have to be exercised. During their term of office they have to enjoy irremovability, the main guarantee of independence, so that, aside from cases of demise or voluntary resignation accepted by Parliament, the person will only be able to be removed from his post due to the occurrence of the causes previously established in law (incapacity, incompatibility or serious breach of the duties entailed by the post). Also, they have to know that they cannot ask for or accept orders, instructions or suggestions from any organ or authority, furthermore refraining from exercising any other professional activity, whether or not paid, solemnly undertaking at the moment of taking on his functions to respect the obligations deriving from his post and, in particular, the duties of dignity, honesty, discretion and impartiality.

In any case, it has to be stated that independence is a governing principle of democratic power that is transferred to members of the Institutions and intellectually leads to the freedom of opinion which, paraphrasing a verse by Quevedo, consists “of the freedom to say what one feels, without having to feel what one says, deciding without fear of the consequences”. Putting this another way, it is the freedom of the member of the institution to think for himself, with the assumed risk of being mistaken on one’s own without any help at all in the scope of his intimacy.

Independence requires taking care over pressures both external, be they economic, social or political, and internal, in other words our legitimate beliefs and convictions of all kinds, because these will always have to occupy a position that is wholly subordinate to the Constitution and to Statute. Evidently, we have to understand “Statute” as being all juridical rules emanating from the courts legitimated by the system.
of sources designed by the Constitution for producing Law. The interpretation and application of the Law implies an extremely broad framework, though limited by the principle of legality.

This was expressed with farsightedness by the Judge of the American Supreme Court Felix Frankfurter (319/US.624, 1943) when he said that we judges are not Jews, or Catholics, or agnostics, we all owe the Constitution — and the law, I would add — the same respect and our duties are binding on us to the same measure. When jurisdictional functions are exercised, one's own opinions on the virtues or vices or a Law must be left to one side.»

This independence is to be advocated in all organs directly regulated in the Constitution, without making any distinction now between constitutional organs and those of constitutional relevance, since, though it is true that just the first shape and enact the will of the State, it is no less the case that they both, due to being directly included in the Constitution, are endowed with their own decision making functions, without any dependence of any other kind of organ.

This is the case with our Court of Audit, which enjoys a constitutional position of independence with regard to the other powers and organs, without its dependence on Parliament implying any alteration at all to its organic and functional independence, even though this refers exclusively to the examination and checking of the State General Accounts.

Our credibility or, better, legitimacy of origin lies in the organic and functional independence with which the Legal Code has defined the Court of Audit and its members, and that of exercise in compliance with its constitutional function to the complete satisfaction of society, which we could measure by the degree of conviction and acceptance granted to our reports to Parliament and the general public, the reception made by governments of our recommendations also being an important element in this regard.

All this explains the fact that in the normative framework of the INTOSAI Standards and Directives there appears, behind Level I: Founding Principles / ISSAI 1 / The Lima Declaration, what is known as Level II: Prerequisites for the functioning of SAI(s) / ISSAI 10 / The Mexico Declaration on Independence, in which the core aspects of the independence of SAI(s) is set down.

The Mexico Declaration is the result of several years’ work by representatives of SAIs throughout the world, who acknowledged that these eight basic principles deriving from the Lima Declaration are the essential requisites for the correct auditing of the public sector. Many of us, not to say all, acknowledge them with a different intensity in the legislation of our Court, but their formation and, above all, the Guidelines and Good Practices accompanying the Declaration as ISSAI 11 offers us, in my opinion, valuable contributions suitable for being assessed and, as appropriate, incorporated into our legislation with the aim of strengthening the independence of our Institution.

To synthesise, these principles establish: a) a Statute of the members with the possibility of distinguishing between that which concerns the Higher Authority of the SAI and its members; b) the objective and subjective aspects which our control function has to tackle; c) the rules of procedure and rules of auditing; d) the duty to collaborate; e) the publication and distribution of our Reports; f) measures for ensuring compliance or reply from the audited party to our recommendations; and finally, g) the budgetary and statutory autonomy of the personnel at the service of the Court of Audit which sets down the particular points of the Public Control Function.

All these principles are contained to a greater or lesser degree in the specific legislation of the Spanish Court of Audit. In line with art. 136 of our Constitution, the legislators of 1982 and 1988 perfectly demarcated the field of action of our Court in the exercise of its two functions.
Therefore, when we speak of institutional legitimacy, we have to consider it in its dual aspect, namely, both the aspect concerning the belief which citizens have to have in public institutions, and also the aspect of self-confidence in the actual governors of them.

In this sense, legitimacy of origin would be given by its constitutional or legal regulation and that of exercise by its procedures or, if preferred, in the terminology of Habermas, J, by the “rationality of its juridical procedures”.

the new modes of exercising control and principles inspired by a democratic and social State governed by Rule of Law. Also, because of all this, the existing Constitution maintains in the hands of our Court the jurisdiction that always corresponded to it, setting the bases for differentiating with absolute clarity the auditing function from the jurisdictional one. This increases the independence of our Court, placing it on the one hand within the sphere of the legislative power rather than that of the executive power which is precisely the sphere that it is supposed to control; and on the other hand, its members are granted the category of Judges so that, without any obstacles, they can judge and execute what is judged in accounting matters.

In line with art. 136 of our Constitution, the legislators of 1982 and 1988 perfectly demarcated the field of action of our Court in the exercise of its two functions. So, when it audits it controls the degree to which the public economic-financial activity is subject to the principles of legality, efficiency and economy. And when it judges, it assigns and demands accounting responsibility of the administrators and managers of public money.

But the entire foregoing is theory. There remains practice. We cannot conclude that the mere creation of control institutions grants the necessary social backing straight away, since it is of course necessary for them to function and, moreover, for the functioning to transcend to civil society so that their utility and their efficacy can be appreciated, and so that the said expectations of necessity and of interest, which would, from the juridical-political point of view, justify their existence in democratic constitutions, can be seen to be fulfilled. This is like saying that these public institutions, as with the others, require a social legitimacy, which is acquired not just by their configuration but also, as we said at the beginning with regard to political systems, by their day to day technical functioning, offering citizens the results that lead to a rigorous use of public resources and to the formation of a precise public opinion on the mode and manner in which the public economic-financial management is conducted.

And the fact is that the recognition and reaffirmation which institutions need on their own legitimacy has to come not just from citizens but also, and perhaps more significantly, from those who direct them at their highest levels. Therefore, when we speak of institutional legitimacy, we have to consider it in its dual aspect, namely, both the aspect concerning the belief which citizens have to have in public institutions, and also the aspect of self-confidence in the actual governors of them.

So, the consideration of validity implies a judgement of comparison with certain values, which signifies that legitimacy presupposes a minimum consensus on certain values, in such a way that society will regard an institution as legitimate when it meets certain basic values judged as desirable for governing its organisation.

Indeed, if a separation takes place between the desirable system and the existing one, the legitimacy decreases as far as reaching its extreme degree of illegitimacy. For this reason, there exists a legitimacy of institutions in the origin that is based on their being configured in accordance with those desirable values or principles, but, once they have been set up, the legitimacy rises, falls or is maintained depending on their activity and on the belief that citizens have in whether or not their institutions are true and just. It is what we could call the legitimacy of exercise. Both ideas, one static and the other dynamic, have to be borne in mind for a just consideration of the institutional problem.

From this point of view, following the old Keynesian idea, in the same way that democratic states have a legitimacy of origin that is deduced from the actual popular will and a legitimacy of exercise that is configured through the existence of control mechanisms over that will, as instruments of correction and protection of the minority with regard to the majority, so too the organs of external control require a legitimacy of origin and a legitimacy of exercise. If the first is important from the juridical-political
point of view, no less so is the second from the viewpoint of the social recognition of the Institution. In this sense, legitimacy of origin would be given by its constitutional or legal regulation and that of exercise by its procedures or, if preferred, in the terminology of Habermas, J, by the «rationality of its juridical procedures». We are interested in the configuration of institutions, but much more so in the formal regulations that ensure that the exercise of their function accords with the principles that inspired their founding.

On this basis, we have to seek the legitimacy of origin of the control organs in the Constitution of each State and in its legislation developing it, looking to see if its organisation accords with that minimum consensus of values or principles, universally accepted and not disputed, which are today set down in the standards and in international declarations issued in this regard, which we can even anticipate and summarise now in one very concrete principle, which is that the control organs have to be independent. For its part, we will have to find the legitimacy of exercise in their functioning such that their procedures are capable of ensuring that independence.

It will be the daily effort and work of the control institutions materialised in their different results (in the case of Spain, audit reports and judicial judgments) which will permit a broad social recognition to be achieved that would justify the legitimate confidence which citizens have placed in us.

The Albanian SAI independence in the face of public opinion

The rule of law and democracy are the foundations to the establishment of an entirely independent Supreme Audit Institution. Both are fundamental universal values embedded in and permeating the Lima Declaration, which sets the regulatory framework for the institutional independence of SAIs, and it is rigorously observed by the State Supreme Audit of the Republic of Albania.

Since 2000, the Albanian SAI operates under the SAI Basic Law, defining clearly all the SAI rights and obligations by Constitution, and rights and obligations in relation to other public bodies.
In this context, the Legislative Power is one key user of the Albanian SAI services; therefore the SAI work constantly features the reporting to the National Assembly (Parliament), the rigorous work as an impartial and objective body on the certification of public funds and the application of legality and regularity principles on taxpayers’ money.

The three principal pillars of the Albanian SAI independence are:

1. Functional Independence
2. Organizational Independence
3. Financial Independence

All three are entwined not only into the Fundamental State Law, the Constitution, but also at the relevant legislative acts whereby the effective use of institutional resources has generated a positive impact and a clear vision to the public as a truthful and independent auditing body.

Given that the Albanian SAI is defined by legal provisions as “the highest economic-financial audit institution in the Republic of Albania”, its authority is only a subject to the Albanian Constitution and Legislation. To the Albanian SAI, the independence is one fundamental element and attribute which currently plays and will continue to be a decisive role in auditing, giving assurance and providing transparency to government activities on public funds and assets.

In this respect, the activity and the efforts of the Albanian SAI towards building a good name as an independent, impartial and objective institution have been channeled into setting a clear vision to the opinion of how the Albanian SAI provides quality advice and reliable reports to the Assembly of Albania and other important actors in the Albanian social and political climate.

The last USAID survey on Albania for 2008, in the framework of the Fight against Corruption, stated that perception of the public opinion on the Albanian SAI performance was that this institution is indeed independent, and one of the most transparent institutions in the mass-media in the uncompromised fight against fraud and corruption cases.

In the context of future developments, the Albanian SAI envisages to commence the work on some legal amendments, as foreseen in the Institutional Strategic Development Plan for 2009-2012, and will further encourage the consolidation of institutional independence with a view on promoting a modern and independent SAI, capable to respond to the implementation of international EUROSAI and INTOSAI standards.
Independence is fundamental to audit. An auditor who is technically inexpert but retains his independence may still perform a useful role. An auditor who is technically expert but who lacks independence becomes – essentially – a consultant. Without independence, and the associated qualities of integrity and objectivity, audit ceases to function.

But does independence mean – in practice – the same thing in the private sector as in the public sector? And how is the practice of independence affected by the task of performance audit, and the need to form a view on whether policy instruments are successful or not?

The framework set by standards

The IFAC Code of Ethics for Professional Accountants states that independence requires:

**Independence of Mind**

The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity or professional scepticism.

**Independence in Appearance**

The avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, would reasonably conclude a firm’s, or a member of the assurance team’s, integrity, objectivity or professional scepticism had been compromised.

These qualities are –according to the Code– subject to threats which are helpfully summarised by Pendergast1 as follows:

1. **A Self-Interest Threat** - when a firm or a member of the team could benefit from, for example, a financial interest in a client.

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1 The view expressed here are those of the author and do not engage the European Court of Auditors.
2 Marilyn A. Pendergast, CPA, Chair, IFAC Ethics Committee
2. **A Self-Review Threat** - when products or judgments from a previous engagement must be re-evaluated reach conclusions on an engagement or when a member of the assurance team was previously a director or officer of the client or was an employee in a position to affect the matter audited.

3. **An Advocacy Threat** - when a close relationship with an assurance client means that the auditor becomes an advocate for or against a client’s position or opinion so that objectivity is, or perceived to be, impaired.

4. **A Familiarity Threat** - when a close relationship with an assurance client, its directors, officers or employees means a firm or member of the assurance team becomes too sympathetic to the client’s interests.

5. **An Intimidation Threat** - when threats (actual or perceived) from the directors, officers or employees of a client step a member of the assurance team acting objectively and exercising professional scepticism.

The attention of regulators and public debate often focuses upon the first of these threats. Specifically, the provision of non-audit services (or indeed internal audit services – which also involve a self-review threat) are seen as a key risk.

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The attention of regulators and public debate often focuses upon the first of these threats. Specifically, the provision of non-audit services (or indeed internal audit services – which also involve a self-review threat) are seen as a key risk. This state of affairs brings to mind Power’s warnings that audit privileges the measurable. Fee income can be traced through financial statement and is thus susceptible to external regulation and investigation.

Softer issues, such as advocacy and familiarity threats, for example, are much harder to measure. But academic studies have sought to link audit risk to such factors. For example, Fearnley, Beattie and Brandt (2005) quote Jepperson’s argument that an audit firm efforts to build an audit approach around a business risk assessment process lends to an increased risk of identification with the objectives of management, and thus a familiarity threat. Modern audit practice creates a tension for the auditor: required to assimilate rapidly the business of a client, she must avoid internalising it.

IFAC standards therefore require audit firms to identify risks to independence and consider what steps are required to reduce them. The starting point is awareness of the nature of the risk.

**Is the public sector any different?**

Models of the audit process applicable in the private sector are often applied with limited modification to the public sector. For example, agency theory provides a model of behaviour in which principals (shareholders) cannot trust agents (managers) and thus require information provided by agents to be validated (in this case, by auditors). In the public sector agency theory could appear as plausible as in the private sector: the principal becoming a legislature, grudgingly allowing a (distant) executive access to tax revenues, in exchange for the provision of services.

Such a model fits relatively well (in UK terms) with a “Whig” theory of history. It can be made to fit political systems like that of the USA, with a strong “separation of powers” ethics. It reflects well the formal distribution of power in many jurisdictions. Yet relatively few people really believe States continue to work in such a manner or that history ever did.

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5 Butterfield, 1931, The Whig Interpretation of History.
In parliamentary systems of government, governments hold power precisely because they have the power to pass the budget. In the EU system of governance, the most significant decisions on spending are made via Interinstitutional agreements. In such cases, agency theory does not appear to provide an appropriate model. Supreme Audit Institutions respond accordingly; the European Court of Auditors (in common with many national SAIs), while required to assist the budgetary authorities (Parliament and Council), defines its mission as acting as “the independent guardian of the financial interests of the citizens of the Union”.

Even in the private sector, as the Audit Quality Forum points out, agency theory has clear limitations: if the principal cannot trust agents, can she trust the auditor (also an agent)? In the public sector, agency theory covers too few of the “shareholders”, and too few of their motives to provide a convincing account of the audit challenge.

**Independence on Appearances**

Whatever the limitations of agency theory, supreme audit institutions need to be demonstrably independent of the Executive. INTOSAI standards play a key role for many institutions, seeking to ensure that their institutional arrangements provide a satisfactory degree of independence.

But Institutional guarantees leave open a vast field in which auditors will continue to need to demonstrate “independence of mind”.

**The challenge of performance audit**

The certification of financial statements in the public and private audit sector is recognisably the same essential task. But public sector auditors typically perform a role which has little parallel in the private sector world. As well as certifying financial statements, they are required to audit the performance of programmes. This requires the auditor to consider the economy, efficiency and effectiveness of programmes.

Supreme Audit Institutions generally seek (as the Mexico Declaration\(^6\) shows) to avoid involving themselves in “policy”. But this creates a series of tensions:

a) It is in practice impossible to establish a clear distinction between policy and administration (using Public Private Partnerships, for example can be seen both as a means of delivering policy outcomes and a policy in its own right);

b) Policy is itself subject to a series of administration arrangements (at initiation, Impact Assessment; as it progresses, monitoring; at conclusion, evaluation) all of which are frequently the subject of performance audit;

c) Evaluation of effectiveness requires an understanding of the policy model (logical framework, intervention logic, etc).

So public sector auditors are constrained to work closely with policy. Indeed it is arguable that the spotlight audit shines on the gap between promise and performance is itself one of the most valuable aspects of performance audit.

Many of the performance audits published by the European Court of Auditors in recent years reflect this agenda. For example:

Intelligent Energy – 2008: this report discusses the absence of an underlying intervention logic – meaning that it was not possible to demonstrate how spending would lead to the desired outcomes.

\(^6\) INTOSAI, 2007.
Public health – 2009: this report examined the Commission’s (relatively limited) role in the public health field, and questions the European added-value of some of the activities involved.

Cross compliance – 2008. This report concluded that cross compliance (the requirement that farmers receiving the single payment scheme “cross comply” with a series of rules on, for example, protecting the environment and animal welfare) was so poorly defined that it is “unclear what cross-compliance is designed to achieve”.

The Court has not yet published a report on Impact Assessment, but (noting the series of successful reports on this theme published by the UK NAO) it is currently examining the scope for such an audit at EU level.

Tackling such issues requires that auditors understand the policy model, but retain professional scepticism. Like the private sector auditor with the business model, the public sector auditor must understand the policy model, but not internalise it.

**Agency capture**

Where the SAI comes to understand the policy framework in the same terms as the auditees, it runs the risk of a version of agency capture. This risk may be greatest where the auditee itself has come to identify with the clients it regulates or subsidises. The relatively peripheral and peripatetic role of the auditor may mitigate this risk. On the other hand, it is accentuated by a series of factors:

- **a)** auditors typically enter a policy field in which they are not expert. While they bring with them accumulated experience and expertise in analysing performance, they may rely on the permanent civil service to provide an understanding of the process, and a large part of audit information (but note that experience of the policy area creates a new set of risks).

- **b)** typically the audit process begins (planning) and ends (discussion of findings) with interaction with officials at the centre. These are well placed to influence the framework within which audit work proceeds, and the terms in which audit findings are presented.

- **c)** questioning the policy model may feel more “political” than accepting it

If the auditor fails to address these risks, performance audits are unlikely to ask searching questions, or to address the big issues.

**How can the public sector reduce risks to independence?**

Three complementary approaches provide a starting point:

**Training**: auditors must recognise the specific risks to independence involved in performance audit. Training should therefore incorporate content aimed at raising awareness of the risks. Technical training in Issue Analysis and the use of logic models are also indicated.

**Organisational**: conventional checks such as regular rotation of staff to new responsibilities are as likely to be effective for performance auditors as they are in financial audit.

**Experts**: use of experts to challenge the policy consensus can be an effective tool. But reliance on a single expert (or a small group) will create risks (they are likely to have their own agenda), while the use of a focus group risks recreating (and thus validating) a version of the existing consensus.

There are many similarities between the role of audit in the private and public sector.
Conclusions

There are many similarities between the role of audit in the private and public sector. The need to retain professional scepticism when considering the business model of a private sector is, to a degree, paralleled by the need for public sector auditors to avoid identifying with the policy model of the organisations and programmes they audit.

The Mexico Declaration provides an essential basis for achieving institutional independence (independence in appearance). The closer auditors work to policy issues, the more important it is that they develop innovative strategies for maintaining “independence of mind”.

David Walker’s remarks to a EUROSAI conference in Moscow in 2002 provide a eloquent statement of the aspirations of public sector auditors: “We must say what we mean, mean what we say, and tell it like it is even if some would prefer not hear the facts and the truth. We must also have the courage of our convictions to do what is right even when it may not be popular or easy to do so”. There is no easy route to achieving and maintaining such a level of independence.

The Mexico Declaration provides an essential basis for achieving institutional independence (independence in appearance). The closer auditors work to policy issues, the more important it is that they develop innovative strategies for maintaining “independence of mind”.

Declaration of Independence:
Using the Integrated Model of State Comptroller and Ombudsman to Enhance the Independence of Audit in Israel

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The independence of the audit is rightly seen as of supreme importance within many modern states, and EUROSAI as an organization has also seen fit to place special emphasis on this issue. In Israel too, this aspect of independence has been viewed as extremely significant since the very advent of the State Audit in the country.

The independence of the audit is rightly seen as of supreme importance within many modern states, and EUROSAI as an organization has also seen fit to place special emphasis on this issue. In Israel too, this aspect of independence has been viewed as extremely significant since the very advent of the State Audit in the country.

Furthermore, as the State Comptroller was entrusted over the years with various new powers and areas of jurisdiction, additional legislative elements were enacted in order to strengthen the independence of the audit. Even the Legislature’s groundbreaking decision in the 1970’s to endow the State Comptroller with the added role of national Ombudsman, led subsequently to added measures intended to deepen the integrity and independence of audit in Israel. The present article will survey some of the
more important of the relevant enactments and illustrate how issues concerning the independence of the audit are addressed within the integrated model unique to Israel.

**Importance of Independence**

Just as the audit is considered indispensable within modern conceptions of proper public administration, a substantial level of independence is indispensable to the audit itself. If the audit is as a beacon or a torch shedding its light into the shadowy corners of backroom deals and improper or inefficient processes, then independence is the oxygen that feeds the fire, ensuring that any particular audit not flicker out before it has achieved its goals.

A lack of independence can easily snuff out any chance of an audit having positive influence on the particular auditee or the public administration in general. If the auditee or others are able to interfere in decisions concerning the scope of the audit, or the amount or type of resources invested in the audit, then the audit itself will suffer. If the auditee or others are able to place the auditor in a position of conflict of interest, then the interest of the public will suffer.

It has been noted that, as the audit has gained momentum worldwide, broadening its scope and become more varied and all-encompassing, the number of actors on the public stage with an interest to interfere with the audit has grown in like manner. The development of efficiency auditing especially has been an impetus in this matter:

> Efficiency auditing potentially empowered the state auditor as never before. The greater the threat of exposure and publicity the more that those being threatened, politicians or departmental managers, would seek to capture the process and use it for their benefit or to debilitate it.¹

As the number of those threatened by the audit has increased, those same people have become a threat to the audit and its independence² - or perceived independence.³ The more powerful of these may attempt to undermine the audit’s independence by regulatory, procedural or budgetary means; others may use less subtle approaches addressed to a specific auditor, with a view to co-opting a given audit, rather than debilitating the audit process in general.

Any legislative enactments aimed at preserving and enhancing the independence of the audit must, therefore, take into account the various avenues of attack open to those who would threaten the audit.

**The State Comptroller and Independence of the State Audit**

The importance of the State Audit is reflected by the fact that the position of State Comptroller was created barely a year after the State itself came into being, and a scant few months after the end of Israel’s War of Independence. The significance of the position was emphasized when, in 1988, the central enactments related to State Com-

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² Independence has been defined by Bartlett as acting with “an unbiased mental attitude in making decisions about audit work and financial reporting.” Roger Bartlett, “A Scale of Perceived Independence: New Evidence on an Old Concept”, 6 Accounting, Auditing and Accountability Journal (1993) 52, 55.

³ After all, if the public or other consumers of the audit reports are not convinced of the audit’s independence, it will not have the desired effect. This is reflected in the Government Auditing Standards published by the US General Accounting Office:

> 3.03 In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, should be free both in fact and appearance from personal, external, and organizational impairments to independence.

> 3.04 Auditors and audit organizations have a responsibility to maintain independence so that opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by knowledgeable third parties.

troller were collected within the Basic Law: State Comptroller, thereby endowing the institution with constitutional status under Israeli law.

From its inception, the position of State Comptroller was constructed in a manner intended to ensure its independence from those who would become the objects of the State Audit. The operating principle with regards to the independence of the State Audit is delineated in section 6 of the Basic Law, which provides as follows:

_In carrying out his functions, the State Comptroller shall be accountable only to the Knesset and shall not be dependent upon the Government._

In this manner, the State Comptroller functions as many other Supreme Audit Institutions, on behalf of the national Parliament, as overseer of the functioning of the Governing Authority. The provision emphasizes the independence of the State Audit from the auditees in government.

However, the issue of State Audit independence is addressed in the Basic Law not only within the confines of the declarative clause of section 6. This matter was considered of such cardinal importance that even more mundane issues such as budgeting were included within this piece of constitutional legislation.

Thus, section 10 of the Basic Law states that "the budget of the State Comptroller's Office shall be determined by the Finance Committee of the Knesset, upon the proposal of the State Comptroller..." In this way, the budget of the State Comptroller’s Office is prepared not by potential auditees within the Government, nor even by the Parliament, but rather by the State Comptroller himself; only thereafter is it then submitted to the Knesset’s Finance Committee for final approval. The independent preparation of the budget, secured by constitutional fiat, makes it difficult for governmental representatives or bodies to attempt to influence the parameters of the State Audit through manipulation of the budget that is the lifeblood of the State Audit institution.

The Basic Law also addresses another issue that may sometimes impact the independence, or perceived independence, of the State Audit – the term of service of the State Comptroller. Section 7 of the Basic Law originally set the Comptroller’s term of office at five years, but included the possibility of the Comptroller serving a second term in office. However, in 1998, Member of Knesset Meir Sheetrit introduced a proposed amendment in this matter. MK Sheetrit opposed the idea of a potential second term for State Comptrollers, reasoning that the perceived independence and integrity of the Office could be harmed by a process whereby a Comptroller’s candidacy for a second term would be debated and voted upon at the very time that audits of government ministries and officials would be taking place. The Knesset subsequently adopted his proposal to limit the State Comptroller to one term of service of seven years in length.

The public can therefore be reasonably certain than no irrelevant considerations concerning future service of the State Comptroller will cloud his or her judgment regarding the scope or results of an audit. In addition, just as government officials are unable to influence the State Comptroller by extending his or her term of service, in like

*Basic Laws are pieces of legislation concerning integral elements of Israel’s constitutional makeup regarding its governance and the human rights of its citizens. These laws have constitutional status within Israel’s legal system and may at some future date form the basis of a comprehensive written constitution for the State.*

*Interestingly, at the same time, MK Sheetrit introduced a parallel Bill (subsequently passed into law) limiting the President of Israel, the country’s Head of State, to one term as well. This further illustrates the exceptional status of the State Comptroller within Israel, as reflected in MK Sheetrit’s comments concerning the important nature of both these institutions, which to his mind necessitated the suggested fortification of the positions. In his words, the Bills were introduced in order to “prevent this level of chosen officials – the President and the State Comptroller, both of whom are elevated above all others – to be subject to an election process during the course of their term, this in order to eliminate any possible political considerations within the activities of either the President or the State Comptroller.” (Minutes of Knesset, vol. 12 (14.1.98), p. 4310)*

*Section 7 of the present Basic Law.*
manner the State Comptroller cannot be threatened with the possibility of his or her term being cut short. Section 13 of the Basic Law allows the Knesset to remove the State Comptroller from office due to behaviour unbecoming the position, only by vote of a special majority: three-quarters of the Members of Knesset (or ninety out of 120 MK’s) – a majority difficult to attain under the conditions extant in present day Israeli democracy.

Not only is the position of the State Comptroller himself relatively secure from outside interference, the Office’s employees are likewise insulated from potential threats by auditees regarding their working conditions. Section 22(a) of the State Comptroller Law, 5618-1958 provides as follows:

“The staff of the Comptroller’s Office shall have the same status as other State employees, but as regards the receipt of instructions, and as regards dismissals, it shall be under the sole authority of the Comptroller”.

By means of this section, the Israeli legislator ensured that those employed within the State Audit are answerable only to the State Comptroller, who is the “sole authority” charged with making determinations regarding the future of said employees within the State Audit apparatus. There is no room for potential interference from any government representatives in these matters, so the individual auditor is free to perform the audit without undue worry concerning potential damage that may be caused to his status or salary by the auditee.

Even in the original hiring process, the governmental body charged with job competitions within the government sector – the Civil Service Commission – is not involved at all in the hiring of employees for the State Audit. Rather, the Office of the State Comptroller itself publicizes all the human resource tenders and runs all the job competitions in connection with employment openings with the State Comptroller. This way, no public officials have any kind of say within the hiring process, and can therefore have no influence on who is hired or for what position.

As we have seen, then, the internal-employment procedures would seem to be tailor-made to keep out unwanted influence from auditees. However, government officials subject to an audit could conceivably attempt to circumvent such limitations by convincing an individual auditor to consider future employment outside the State Audit, in gainful employment arranged for the auditor by or on behalf of the audited official. In such manner, the auditee could gain significant influence over the potential results or conclusions of an audit.

It is in order to eliminate as much as possible such problematic scenarios that section 22(b)(2) of the State Comptroller Law was enacted. Under this section, a person employed in an auditing capacity by the State Comptroller may not be employed within an audited body for a period of 2 years after his or her period of employment at the State Comptroller’s Office has come to an end. This legislative enactment too is intended to fortify the independence and integrity of State Audit in Israel.

The Knesset has recognized that Internal Audit as well can serve an important role within the proper functioning of the public administration, and therefore should be strengthened.

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7 Section 13(1) of the Basic Law requires only a simple majority of MK’s to remove the State Comptroller for reasons of poor health preventing him/her from performing the duties of the Office.

* According to the original consolidated version of the State Comptroller Law 1958, the Knesset could remove the State Comptroller for any reason whatsoever by a vote of two-thirds of those present and voting. The present system has strengthened the State Audit, requiring both a finding of ill health or unbecoming behaviour and a super-majority vote to remove the Comptroller from office.

* Except by special approval of the State Comptroller himself in circumstances when no conflict of interests exists.
recognized that Internal Audit as well can serve an important role within the proper functioning of the public administration, and therefore should be strengthened. It has been observed that, to a certain extent, “the activities of the State Comptroller’s Office and of the internal audit units [may be seen] as two sides of the same coin”10.

With this in mind, Israel “made history” by becoming “the first country in the world with a comprehensive legal basis for internal auditing”11 when the Knesset passed the Internal Audit Law, 5752-1992. The Law mandates that every public body, as defined in section 1 of the Law, must be audited by an internal auditor.

Obviously, the purposes and aims of the internal audit are not identical to those of external audit, as Schwartz and Sulitzeanu-Kenan have observed:

> Professional internal audit norms and academic observers emphasize that internal audit is a management tool intended to aid senior management. As such it is a tool of internal accountability12.

Therefore, as part of the body that is to be audited, and since the internal auditor is subordinate and accountable to superiors within that body, the internal auditor is certainly not to be considered ‘independent’13. Still, in order to be successful, even internal audit must be somewhat independent of those who are the subject of the audit14. One of the primary purposes of the Internal Audit Law was to ensure a certain minimal level of independence for internal auditors that would allow them to function and succeed in the complex environment within which they often find themselves15.

For example, section 8 of the Internal Audit Law prohibits internal auditors from fulfilling other functions within the public body16 in order to allow them to focus on their audit functions and to enhance their independence from other officials within the administrative framework of the organization17. As well, the Law provides that no internal auditor may be terminated, or even suspended, without the express consent of the Civil Service Commissioner18; thus, the internal auditor is granted special status within the organization, whereby the public body itself is meant to have less “leverage” over him or her, thereby allowing the auditor to execute an audit with less fear of reprisal from unhappy auditees.

Internal auditors of municipalities also are granted special status within their organizations. For instance, according to section 171(b)(2) of the Municipalities Ord...
Internal auditors of municipalities also are granted special status within their organizations.

The State Comptroller, while not involved directly with internal audit\(^{20}\) has certainly played a significant role in its development over the years. The Internal Audit Law itself was the result of deliberations spurred on by Annual Reports of the State Comptroller in the 1980’s concerning defects in internal auditing as it then existed\(^{21}\).

As well, the Internal Audit Law does connect the internal audit with the State Audit in certain matters. For instance, one of the declared tasks of internal auditors is to ensure the rectification of deficiencies discovered by the State Comptroller in any of his audits\(^{22}\). As well, when an internal auditor uncovers suspected criminal actions in which his Officer in Charge\(^{23}\) may be involved, the internal auditor must report the matter to the State Comptroller\(^{24}\). In this way, the Legislature emphasized that, while internal auditors are not strictly speaking part of the State Comptroller framework, their activities combine with those of the State Audit, together providing the impetus and control necessary for public bodies to meet their goals of efficiency, efficacy and proper public administration.

It is in his role as national Ombudsman, however, that the State Comptroller fulfills one of the most important functions in regard to the ongoing protection of minimal internal audit independence.

Less than a decade after the Knesset bestowed the role of Ombudsman on the State Comptroller, the Israeli legislator decided that it would be the State Comptroller/Ombudsman who would lead the struggle to protect whistle-blowers in an effort to help root out corruption within the public service. Thus, in 1981, sections 45A to 45E were added to the State Comptroller Law, providing that a complaint may be filed with the Ombudsman regarding actions taken against a complainant-employee by his superiors in response to the employee’s reporting of an act of corruption. Section 45C delineates the far-reaching powers of the State Comptroller, as Ombudsman, in such circumstances:

45C. (a) The Ombudsman may make any Order he deems right and just, including a provisional Order, to protect the rights of the employee, having regard to the proper functioning of the body in which he is employed.

(b) Where the complaint relates to the dismissal of the employee, the Ombudsman may order revocation of the dismissal or the award of special compensation to the employee, in money or in rights.

(c) The Ombudsman may order the transfer of the employee to another post in the service of his employer.

(d) An Order under this section shall be binding on any superior of the employee and on the employee himself, and a person who contravenes it commits a disciplinary offence. But their responsibility for a disciplinary offence shall not detract from their criminal responsibility for the contravention of that Order.

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\(^{19}\) Section 170A(c)(1) of the Ordinance.

\(^{20}\) Except to the extent that internal auditors, as part of the public body, may be subject to State Audit as any other employee of the public body.

\(^{21}\) Schwartz and Sulitzeanu-Kenan, note 12, 145.

\(^{22}\) Section 4(a)(5) of the Law.

\(^{23}\) The person within the public body to which the internal auditor reports according to the Law.

\(^{24}\) Section 11(b) of the Law. Interestingly, according to the original Bill (Bill No. 2008, July 25, 1990), the person who was to be informed was the Attorney General and not the State Comptroller.
In this way, the Israeli legislator recognized the difficult position in which such an employee may find himself or herself and provided an address to which such a person could turn to find protection. In time, as the deliberations leading to the enactment of the Internal Audit Law were heating up, the Knesset came to the realization that it is not only regular-employees-turned-whistle-blowers who are in need of protection; internal auditors too are in an especially precarious position in attempting to fulfill their audit functions. Therefore, in 1990 the protections set out in section 45C were extended to internal auditors. This protection, though, was even wider than that provided to whistle-blowers; internal auditors could turn to the Ombudsman even when the steps taken against them had nothing to do with reporting acts of corruption. Section 45A(2) allows for Orders of Protection for an internal auditor when the purported actions taken against him flowed from any of his “activities in fulfilling his function as internal auditor” – a level of protection offered uniquely to internal auditors.

Conclusion

The independence of the audit is extremely important for the proper functioning of the public administration. As illustrated in this article, the Israeli legislator has seen fit to provide the State Comptroller/Ombudsman with the tools necessary to stand guard against breaches in the wall of audit independence – both when it comes to external State Audit and the developing internal audit.

In this way, the Israeli State Comptroller/Ombudsman is constantly involved in fortifying and expanding the independence of auditing activities in Israel in a manner tailored to meet the challenges of a new century of public administration.

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The Court of Accounts of Moldova (CoA) was founded in 1994 based on the traditional model of financial control institutions, specific for the former soviet countries. The existence of the CoA is guaranteed by the Constitution of the country, which has an article on the basic mandate, composition (7 members), appointment of CoA President and members, presentation to the Parliament of a compulsory Annual Report on management and use of public finances. This article also specifies the other obligations of the CoA, while its organization and functioning are established by its organic law.

The European integration perspective that appeared along with the signing of the Moldova-EU Action Plan, under which, *inter alia*, Moldova committed to ensure the establishment and operation of a SAI in accordance with the international and INTOSAI auditing standards and external audit best practice, has opened new opportunities for the CoA. In order to get in line with the standards, the CoA initiated the institutional reform process, and developed a Strategic Development Plan for 2006-2010, having as key objectives the following: institutional strengthening, professional building, staff development and securing a greater impact from its audit activity.

Institutional strengthening – the key pillar for its strategic development – implies, first of all, the improvement of the legal framework of the CoA and its adjustment to the international standards and external audit best practice. The new draft law was developed during 2008 with the support of the experts from the Swedish National Audit Office, which is the key partner of the CoA in promoting the reforms for institutional strengthening. On 5 December 2008, the Parliament passed the new Law on the CoA, according to which it is the only state public authority that carries out public external audit as a supreme audit institution and is legally protected by the interference from any other enforcement or control bodies. The activity of the CoA is based on the principles of independence, legality, objectivity, transparency and accountability, building on the provisions of the aforementioned international papers. The new legislative provisions are fully conformant with the public external audit EU best practice, providing the CoA with the legal competencies required for an effective examination of public finances in Moldova.

What are the key changes introduced by the new Law on CoA?

These can be summarized as a shift from the external financial control system to a new external audit system, representing a major change for the CoA within a new model of public financial management system introduced by the Ministry of Finance.

Following the international recommendations and taking into account the constitutional provisions, the new Law on CoA ensures its organizational, functional, operational and financial independence.

The freedom to plan its current and future activity (approval of annual and multi annual programs), to determine the fields, topics and entities to be audited, to establish the methods/procedures and content of the audit reports governs the reliability of the results of the CoA’s audit work.

The current law provides the CoA with sufficient and comprehensive powers, without any restrictions, to carry out its audit mandate that comprises:

- use of public money, resources and assets;
- collection of revenues owed to the state;
- legality and regularity of the state accounts and public entities;
- economy, efficiency, and effectiveness of the transactions with public money at Government and entity level;
- management quality and financial reporting.
To certainly and consistently apply these powers, the CoA’s audit staff was empowered by law with a series of rights and obligations. Also, the CoA adopted its own Auditing Standards based on the international ones. Based on these documents, the auditors carry out their audit activity in a competent manner and in conditions of professional confidentiality, and full independence, the last comprising functional and operational independence from the entity.

Another important segment in ensuring the principle of independence in the audit work of the CoA is the unrestricted and unconditional access to information. Under the Law on CoA, the audited entities must:

- ensure access of auditors in their premises;
- on CoA or auditor’s request, submit the necessary acts, documents, information and databases;
- on auditor’s request, submit verbal and written explanations;
- submit a written notice on the audit report, expressing their agreement or disagreement with the report.

At the same time, the law also provides the audited entity with the opportunity to participate in drafting the audit reports and their examination during the sitting of the CoA Plenary, which is a prerequisite in building management quality and financial reporting as well as the capacity of the audit quality integrally.

The principle of independence also consigns the legal right of the CoA to be free in deciding the formulation of the relevant recommendations, observations that are remitted to the Parliament of Moldova, Government, central line bodies, and, as appropriate, to the audited entities.

The logical consequence of an efficient follow-up mechanism in place, and of the right and obligation to report annually on the results of its audit activity is to communicate to the civil society independent and objective information, solutions and assurances related to the legality, conformity and reliability of financial reports.

A primary element in ensuring the CoA’s organizational independence is the fact that the CoA President and members of the CoA Plenary are appointed by the Parliament. They are independent in exercising their mandates and irremovable for the period of the mandate. The CoA President has wide powers, including approves the organizational structure and staff limit.

Financial independence, as a key element in the activity of a SAI and a fundamental principle of INTOSAI, is ensured by providing the CoA with the right to have its own budget that is planned independently based on the estimation of the necessary costs of activity. The budget is approved by the Parliament and remitted to the Government for inclusion in the draft state budget law for the following year. This way, financial dependence on an entity subject to CoA audit, in this case the Ministry of Finance that is responsible for the appropriation of budget finances, is excluded.

Ensuring the independence of a SAI, no matter how necessary it may be, is not a goal in itself, but rather an indispensable value for establishing sound and constructive relationships with other stakeholders. Independence does not mean isolation, and each SAI, as part of public administration, establishes and maintains efficient relationships with the Parliament, the Executive, juridical power and, of course, public opinion.

As mentioned above, the relations of the CoA with the Parliament refer to the approval of the CoA budget and staff limit, appointment of the President and members, examination of reports on public finance management, designation of an external auditor for the examination of the financial report of the CoA, and others. However, a separate aspect in ensuring the relations between the CoA and the Parliament deals with role of the latter in exercising the responsibility for the supervision of the Executive, including
in the area of use of public finances. All these build on the best practice identified from
the experience of European SAIs, and consist in the achievement of an ideal symbiotic
relationship between these two important, but separate institutions. A Parliament may
exercises efficiently its supervision function when it makes use of and may count on
the audit work of a SAI, and respectively, the latter is more efficient when the Parlia-
ment examines the significant results of an audit conducted by a SAI.

In this respect, the law provides for the CoA’s responsibility to submit annual re-
ports to the Parliament regarding the management of public finances in the expired
budgetary exercise and management of its own finances, but also for the right to submit
any reports on the audit findings the deserve to be considered by the Parliament. This
would allow the Court to submit on a more regular basis to the Parliament any results
of performance audits on the government programs or areas of public interest, adding
value by offering the possibility to take immediate measures when it is appropriate.
This would also contribute to enhanced opening and transparency in the CoA’s activity
that must be an example in this regard for the audited entities.

To fully exercise its role in the establishment of a jural state, the SAIs should be
independent from other state authorities too. Yet independence is not decreed, it has
to be deserved and is never absolute. Its consolidation requires time and resources. It
is not enough for a SAI to declare itself independent in order to be so de facto. For this,
a SAI should develop its capacities, skills and professionalism, apply efficient audit
mechanisms, instruments and methods for analyzing the results achieved in relation
with the objectives set.

Another important factor in ensuring independence is the promotion of integrity
and ethical values within a SAI. In accordance with the generally accepted INTOSAI
Code of Conduct, the CoA has developed and implemented the Auditor’s Code of Con-
duct, which promotes values such as independence, objectivity, professionalism, cor-
correctness, impartiality, honesty, etc.

It is important for a SAI to develop an audit strategy and performance indicators
that would allow it to coordinate its activities and assess the efficiency and impact of
its work.

SAIs must ensure the professional development of the auditors in the legal, finan-
cial, accounting and audit field, tools and evaluation practices, analysis and comparison
techniques for performance assessment.

At this point of its development, the CoA of Moldova is going through the imple-
mentation of the new law that became effective on 1 January 2009, which comprises
provisions the implementation of which would allow the institution to join the public
external audit international standards and best practice. In this process of institutional
modernization and consolidation of its independence, the CoA of Moldova relies a lot on
the exchange of experience within the cooperation with other EUROSAl and INTOSAl
members.
The independence of the Romanian Court of Accounts

The Romanian Court of Accounts has a long historical tradition; 1864 is the year it was set up as a first distinct institution having financial control competences, based on the special law voted by the United Principalities Elective Assembly (the Parliament) on the 8/20 January 1864 and promulgated by the ruler Alexandru Ioan Cuza in February, the same year.

The Romanian Court of Accounts has a long historical tradition; 1864 is the year it was set up as a first distinct institution having financial control competences, based on the special law voted by the United Principalities Elective Assembly (the Parliament) on the 8/20 January 1864 and promulgated by the ruler Alexandru Ioan Cuza in February, the same year. The independence of the High Court of Accounts was a desiderate stated from the very setting up; in this respect, the great statesman Mihail Kogălniceanu, the head of the government at the time, stated in January 1864, that the new institution is intended “to be not a politic body, a war machine”, but an independent body, an equilibrium element, between the Assembly and the Government.

There are three distinct periods in the evolution of the Court of Accounts: 1864 – 1948, 1973 – 1989 and 1989 up to now.

Subsequent to the setting up of the first Court, the natural tendency of the various dictatorial regimes that lead the country’s destinies in time was to privilege the control bodies under the direct subordination of the government or of the state leader, and the Court of Accounts was intended to be subordinated to them and as strictly as possible, under the political commandments.

The communist leaders that came to power after the Second World War considered it a creation of the bourgeois regime and abolished the High Court of Accounts by a decree of November 1948; thus, the latter ceased its activity after more than 80 years of existence.

The communist regime considered a long time that the exercise of the financial control through the bodies of the Ministry of Finances, through the internal control bodies of the various state entities and obviously, through the control exercised by the communist party over all state entities, was sufficient.

Gradually though, the limits of party control, of the workers’ control and of the internal financial control within ministries were imposed even to the communist rule, so that a new court of accounts was set up in 1973, called the Higher Financial Control Court. To enhance its authority, the entity was directly subordinated to the State Council. Though in essence it used to observe the structures specific to a court of accounts, that was not a genuine institutional independence, since it was politicized and under the control of the communist regime.

The fall of the communist regime in December 1989 impacted the financial control activity as well, in the sense that the control body of the communist regime could no longer exist in that form.
The revolution swept away the whole institutional ensemble of Ceau escu dictatorship and only later on the establishment of new institutions was considered. Thus, as early as the evening of December 22nd 1989, the ten items communication of the National Salvation Front Council provided in its preamble: “The State Council and its institutions cease their activity”, consequently the Higher Financial Control Court too, in its capacity as a body subordinated to the former.

The drafting of a new democratic Constitution brought to attention again the tradition of the High Court of Accounts of the period before 1948, the existence of which was provided in the Romanian Constitution adopted in 1866 and in 1923.

Consequently, the text of the new Constitution of 1991 provided under art. 139 the re-establishment of the Court of Accounts, which was supposed to exercise “the control on the formation, management and use of the state and public sector financial resources. Furthermore, it was provided that: “the Court of Accounts submits to the Parliament, on a yearly basis, a report on the national public budget management accounts of the closed budget exercise, also including the irregularities found. Moreover, “the members of the Court of Accounts, appointed by the Parliament, are independent and irremovable.”

Following Constitution adoption, in 1992 the Parliament voted Law no. 94 on the organization and operation of the Court of Accounts, which was in fact the law based on which this institution was re-established from scratch.

A legal framework was thus created for the edification of a modern institution, in keeping with the requirements of a democratic society, based on market economy and on the rule of law.

After its re-establishment in 1992, the Romanian Court of Accounts became a member of the INTOSAI and of its regional group, EUROSAI.

On the re-establishment of the Court of Accounts, Romania also considered the Lima Declaration of 1977, adopted by the IX INTOSAI Congress, establishing the operation standards of supreme audit institutions and especially chapter II – Independence, respectively section 5 – Independence of supreme audit institutions, section 6 – independence of supreme audit institutions’ members and staff and section 7 – financial independence of supreme audit institutions.

Thus, the law on the organization and operation of the Court of Accounts set its statute in the first article “the Court of Accounts is the supreme financial control and jurisdiction body in the financial field that operates near the Romanian Parliament. It carries out its competences independently and in keeping with the provisions of the Constitution and of the other laws of the country”. This provision was also in consonance with the legislation of 1864 – 1948 and adds concreteness and firmness to the drafting of the role and operational independence of the Court of Accounts. These were consolidated by other provisions as well, such as the ones involving: appointment and statute of the Court of Accounts’ personnel – Chapter VII of the law, that provided the appointment of the Court of Accounts’ members by the Parliament, to whom irremovability and immunity under law was granted for the duration of their term of office; the right to autonomously decide on its control program, the only institutions entitled to imperatively request the Court to perform certain controls being the two chambers of the Parliament. The regulation of the unhindered access of the Court of Accounts to the documentation required to perform its controls, so that not even classified information is anymore a reason for the avoidance or exoneration of institutions from the strictness of the control exercised by the Court. The law, strengthened by the provisions of the Constitution of 1991 was also very explicit concerning the performance of this control in relation to all state institutions, including the President’s office, the Government and the Parliament.

The Law on the organization and operation granted the Court of Accounts, besides the previous and subsequent control competences, jurisdictional competences.
option set the institution in a continuity relation as to the High Court of Accounts of the period 1929 – 1948, and also included it among those supreme audit institutions of Europe which had jurisdictional competences, such as the courts of accounts of France, Spain, Italy, Greece, a.s.o.

To grant the independence of the two control forms, respectively the previous and subsequent control, and to strengthen the subsequent control competences, the Parliament decided, in 1999, to alter the Law on the organization and operation of the Court of Accounts in the sense of transferring the previous control competences to the Ministry of Finances.

By the review of the Constitution, in 2003, the independence of the Court of Accounts was ruled even more firmly, its stability was consolidated by extending the length of the counselors’ accounts terms of office, from 6 to 9 years and also a mechanism was put into place to renew the Plenum composition, in stages, every three years, similarly to the Constitutional Court, which offers more guarantees against an excessive and conjunctural political influence. In practice, by the revision of the Constitution in 2003, the most serious modification was the amputation of the Court of Accounts’ jurisdictional competences and transferring them, in the fourth quarter 2003, to the ordinary judicial instances, until specialized judicial ones are set up. This was followed, in September 2005, by the dissolution of the “financial prosecutor” institution of the Court of Accounts and by prosecutors’ being taken over by the Public Ministry.

Following the constitutional modification, the Law on the organization and operation of the Romanian Court of Accounts was amended, so that in 2007 a law draft was initiated in the Parliament, which was adopted in October 2008.

In adopting the law, consideration was given to the principles listed in 2007 in the Declaration of Mexico on the independence of Supreme Audit Institutions, as follows:

- the existence of adequate constitutional and legislative provisions on the institutional independence of the Romanian Court of Accounts. Thus, in keeping with art. 1 of the law: “The control function of the Court of Accounts is carried out by external public audit procedures, provided in the own audit standards, drafted in keeping with the generally accepted international audit standards. The Court of Accounts carries out its activity autonomously, in keeping with the provisions of the Constitution and of this law ...”

- the independence of the Court of Accounts’ members and of the external public auditors in the performance of their activities. In this respect, the law provided: under art. 107, “The members of the Court of Accounts are independent in the carrying out of their mandate and irremovable along all its duration. These are dignitaries and are under the same incompatibilities as the ones provided by law for judges”, and under Art. 112. “External public auditors enjoy stability”.

- a comprising mandate to insure the performance of the Court of Accounts competences. Art. 16 of the law provides in this respect: “The Court of Accounts performs the control function on the establishment, management and use of the financial resources of the state and of the public sector, submitting, to the Parliament and to the administrative and territorial units, reports on their use and management, in keeping with the principles of legality, regularity, economy, effectiveness and efficiency. Furthermore, Art. 2 provides: “The Court of Accounts decides autonomously on its program of activity. The controls of the Court of Accounts are launched ex officio and may only be stopped by the Parliament and only in case the competences set by law are exceeded. The decisions of the Chamber of Deputies and of the Senate requesting the Court of Accounts to perform certain controls are mandatory within the limits of its competences. No other authority may force it in this respect.”

- unrestricted access to information. In keeping with Art. 4 “The Court of Accounts has unrestricted access to documents, instruments and information required to
carry out its competences. The audited entities are kept to submit to the court the requested documents, instruments and information, at the deadlines and in the structure set by the Court of Accounts and to insure access to their head offices. Upon request by auditors, the individuals or the legal entities holding documents or instruments are kept to provide them to it.”

- rights and obligations on reporting and the liberty to decide on the content of reports and on the moment to publicize and disseminate them. In this respect, Art. 3 provides: “The Court of Accounts submits, on a yearly basis, to the Parliament, a report on the management accounts of the consolidated general budget of the closed budget exercise, which also contains the irregularities found. Upon request of the Chamber of Deputies or of the Senate, the Court of Accounts controls the way public resources have been managed and reports on the findings. Whenever necessary, the Court of Accounts submits reports in the field in which it is competent to the Parliament and, by the intermediary of the county and Bucharest Municipality chambers of accounts, to the local, county and Bucharest Municipality councils.”

- financial and administrative autonomy. Art. 2 provides that: “The Court of Accounts sets up and approves its own budget, which it forwards to the Government, for it to be included in the state budget draft subject to approval by the Parliament.”

In keeping with the organization and operation law in force, the management of the Romanian Court of Accounts is performed by the Plenum, made up of 18 counselors of accounts, members of the Court of Accounts. They are appointed and revoked by the Parliament. The term of office of the counselor of accounts is 9 years and it may not be extended or renewed. To enhance the independence from politics interferences, by the Constitution of 2003 and by the modifications to the organization and operation law of 2008, it was established that the plenum be renewed every three years, by a third. The executive management of the institution is carried out by a president, attended by two vice-presidents, who are counselors of accounts. The president of the Court of Accounts and the other members are independent in the performance of their competences and in decision making and observe the principles of collegiate management, of publicity and of transparency.

Audit Authority is organized and operates to fulfill certain obligations in the field of external audit, which Romania has in the capacity as a member state of the European Union; this is an operationally independent body in relation to the Court of Accounts and to the other authorities in charge of managing and implementing non reimbursable community funds. The Authority is managed by a president and two vice-presidents, appointed by the Parliament from among the counselors of accounts.

A series of internal regulations have been drafted by the care and effort of the new management appointed by the Parliament of Romania in October 2009, among which The Ethic and Professional Code of Conduct of the Court of Accounts staff. The latter provides that: “to attain the objectives of the external public auditor profession, the following fundamental principles are mandatory: observance of the rule of the Constitution and of law; independence; integrity; objectivity; professional competence; confidentiality; professional conduct.”

The Court of Accounts is to perform a significant role in the reform and transition process in Romania, in the sense of enhancing responsibility in the use and management of public funds, including the funds to be allotted to Romania by the European Union and by other international financing institutions.

Based on the existing legislative framework, the Court of Accounts tends to become a very performing institution, that permanently strengthens its institutional capacity, while the management takes steps, on a continuous basis, to maintain and develop the independence of the institution, so that the Romanian State, the Parliament and each of the citizens of Romania may be aware of the way public money is being spent.
Independent auditing of public administration.
Independent position of the Supreme Audit Office of the Slovak Republic (NKÚ SR) in the auditing system and some outcomes of the auditing activities of the Office

EMIL KOČIŠ
Vice-President of NKÚ SR

Independent public control and control over public institutions are often discussed in relation to the “citizen–public administration” relationship. We speak about control of public administration either in the public administration process itself, i.e. we speak about internal audit, or we can speak about external audit. It is also very important to ensure that the conditions for public control are in place, i.e. to ensure that the citizens have access to information on the activities of the public administration and its bodies and authorities.

Introduction

Independent public control and control over public institutions are often discussed in relation to the “citizen–public administration” relationship.

We speak about control of public administration either in the public administration process itself, i.e. we speak about internal audit, or we can speak about external audit. It is also very important to ensure that the conditions for public control are in place, i.e. to ensure that the citizens have access to information on the activities of the public administration and its bodies and authorities. If the State tries to make the decision-making processes more transparent and make them subject to the control by the general public, it creates the essential precondition for an effective and efficient use of public funds and property, as well as the fight against corruption in public administration. Free access to information is a prerequisite for achieving transparency, efficiency and accountability of public institutions vis-à-vis the general public.

The performance of one of the major tasks of public control, i.e. the creation of such conditions and barriers that prevent the occurrence of shortcomings, and if they occur, to develop efficient mechanisms to ensure the remedy of adverse conditions as soon as possible, can only be ensured a functioning, effective control system.

Since 1990, the control system in Slovakia has undergone a number of competence and organisational changes. The system of state control of the Slovak Republic comprises:

- the National Council of the Slovak Republic
- the Supreme Audit Office of the Slovak Republic
- the Government of the Slovak Republic
- the Office of the Government of the Slovak Republic
The current control system is based on relatively independent control bodies, which carry out their control activities according to and based on Slovak law.

More specifically, this concerns mainly audits performed by Najväšší kontrolný úrad SR (hereinafter referred to as the “Office” or “NKÚ SR” or the “Supreme Audit Office of the Slovak Republic”) pursuant to Act of National Council of the Slovak Republic No. 39/1993 Coll., on the Supreme Audit Office of the Slovak Republic, as amended; audits performed at state administration authorities pursuant to Act of National Council of the Slovak Republic No. 10/1996 Coll., on control over state administration, as amended; financial audits performed pursuant to Act No. 502/2001 Coll., on financial control and internal audits and on amendments of certain other legislation; audits performed at the local self-governing authorities pursuant to Act of National Council of the Slovak Republic No. 369/1990 Coll., on municipalities, as amended; and audits performed pursuant to Act No. 302/2001 Coll., on self-governing bodies of upper-tier territorial units, as well as other types of audits performed pursuant to special regulations.

Status and Scope of Competence of NKÚ SR

The activities of NKÚ SR are governed by Articles 60 through 63 of the Constitution of the Slovak Republic and Act of the National Council of the Slovak Republic No. 39/1993 Coll., on the Supreme Audit Office of the Slovak Republic, as amended.

Pursuant to the Act on NKÚ SR, the Supreme Audit Office of the Slovak Republic is an independent state authority bound only by law while performing its auditing activities and with regard to the scope of its auditing competence it performs the so-called external control.

Pursuant to Section 2 of Act No. 39/1993 Coll., on NKÚ SR, as amended, the scope of the NKÚ SR auditing competence applies to the budgetary funds, proprietary rights, funds, assets and liabilities of the state, public-law institutions, the National Property Fund of the Slovak Republic, municipalities, upper-tier territorial units, as well as legal entities with capital participation by the State, legal entities with capital participation by upper-tier territorial units, legal entities with capital participation by municipalities, legal entities with capital participation by public-law institutions, legal entities with capital participation by the National Property Fund of the Slovak Republic, and also to property, proprietary rights, funds and debts provided to the Slovak Republic, legal entities or natural persons from abroad or for which the Slovak Republic has assumed guarantees, as well as property, proprietary rights, funds, debts and obligations of legal entities carrying out activities in the public interest.

Within the scope of its competence, NKÚ SR also performs audits of levying and recovering taxes, custom duties, payments of contributions, charges and fines forming revenues of the Slovak state budget, budgets of municipalities, towns and upper-tier territorial units, as well as the enforcement and exercise of rights and observance of obligations arising from financial and economic relationships resulting from the
management of funds and properties falling under the scope of the NKÚ SR competence.

**Auditing Activities of NKÚ SR**

*Objectives of auditing activities for 2007*

In 2007, the Office performed 73 audit tasks in the field of the use and management of public funds and property at 386 entities. With regard to the specific orientation of these audits, 32 (43.8%) audit tasks were thematically oriented audits, 28 (38.4%) audit tasks were aimed at the control of the use and management of public funds and property, 6 (8.2%) audit tasks were carried out while exercising the functions of the certifying authority and the body issuing declarations on winding-up of assistance granted from the EU funds, 4 (5.5%) audit tasks were by their nature performance audits and 3 (4.1%) audit tasks were aimed at the consistency checks of the compilation of final accounts in certain selected budgetary chapters.

Following the enhancement of the auditing competence in relation to the territorial self-administration in 2005, NKÚ SR has intensified its auditing activities in this field. In 2007, the Office carried out 10 planned audit tasks at 118 audited entities falling under territorial self-administration. In comparison with 2006, when NKÚ SR performed audits at 43 audited entities, this represents an increase of 174.4%.

In terms of the type of audits performed in the year under review, 66 of 73 audit tasks where conformity checks, four audit tasks had the nature of performance audits and three audit tasks were, by their nature, financial audits.

*Audit findings and facts*

NKÚ SR presented its audit findings to the competent committees of the National Council of the Slovak Republic and other public administration authorities. Information on the outcomes from audit tasks were regularly presented at press conferences and published on the NKÚ SR website.

When analysing the audit findings, the Office identified 13 638 infringements of 65 generally binding legal regulations and also other secondary legislation. An overview of laws that were infringed more frequently is depicted in the chart.
Experience and recommendations of NKÚ SR based on auditing public revenues

In the recent years, the auditing of public revenues became more and more important throughout Europe. In the field of public finances, a major part of public administration revenues comes from tax revenues and social contributions. The shortage of funds for financing public services resulted in a higher interest of the general public in the public revenue collection. This fact is also respected by NKÚ SR. The main goal of the audits of public revenues is, at a general level, to guarantee to the general public that the collection of taxes by the government or local self-governments is efficient and effective. Recommendations of NKÚ SR based on the audits performed, e.g. in the field of granting tax and customs relief resulted in a change of legislation that contributed to an enhanced transparency of the whole process of granting such relief and considerably reduced the number of events in which such relief can be granted and, consequently, this resulted in a considerable decrease of such relief and, at the same time, in an increase of the state budget revenues.

Other legislative recommendations of NKÚ SR submitted to the National Council of the Slovak Republic and the Ministry of Finance of the Slovak Republic were mostly accepted during the preparation of amendments to the Act on the Administration of Taxes and Charges, and thus resulted for example in:

- the consolidation of the sanction systems for all tax-related legal acts;
- the increased efficiency of tax administration and control;
- incorporation of provisions governing, in detail, the procedures of tax authorities for recovery of outstanding tax liabilities.
The organisational recommendations of NKÚ SR based on the audits performed in the field of the enforcement of outstanding tax liabilities contributed to the introduction of organisational measures in the field of tax administration of the Slovak Republic aimed at the efficiency improvement of the execution proceedings commenced by tax authorities when enforcing outstanding tax liabilities.

Experience from audits performed at territorial self-government authorities

Through an amendment to the Constitution of the Slovak Republic adopted in 2005 and related amendments to the Act on NKÚ SR in the first half of 2006, the scope of substantive and personal auditing competence of NKÚ SR has been considerably extended in relation to the territorial self-governments.

The Office performed audits at municipalities, towns, and legal entities managing the budgetary funds of municipalities, towns and self-governing regions or managing their property.

The main types of the detected shortcomings:

- shortcomings in compilation of budgets, final accounts and in their approval;
- shortcomings in public procurement processes;
- shortcomings in disposal of the property;
- shortcomings in book-keeping and accounting;
- shortcomings in the assessment of local taxes and charges;
- shortcomings in foundation deeds of budgetary and subsidised organisations established by towns or municipalities;
- shortcomings in internal audit systems.

The audit tasks carried out by the Office in 2007 at the territorial self-government authorities confirmed that the extension of the scope of the NKÚ SR competence in this field was justified.

The shortcomings detected in relation to the use and management of funds and the use and management of property indicated some infringements of the Act on the Budgetary Rules of the Territorial Self-Governments, as well as the Accounting Act, in particular with regard to the keeping records on procured tangible fixed assets in accounting-books without keeping any further records about such assets, as well as other shortcomings in complying with applicable accounting procedures resulting in the fact that final accounts did not reflect fairly the proprietary and financial situation of the audited entities.

Furthermore, there were shortcomings mainly concerning the use and management of property when in some cases self-governments did not act for the benefit of their further development and did not make arrangements for the development, protection and improvement of their property. The most significant infringement was that some local self-government authorities did not arrange for keeping proper and comprehensive records on their property also as a result of insufficiently carried out inventory exercises. Certain non-residential premises were leased non-economically, ineffectively and contrary to the applicable legislation.

The internal audit systems and the activity of the chief auditors were among the weakest points of the activities performed by the audited municipalities and towns.

Handling Submissions by Natural and Legal Persons

In 2007, the Supreme Audit Office of the Slovak Republic recorded 441 submissions by natural and legal persons, of which 48 were outside the scope of the NKÚ SR compe-
tence entrusted to the Supreme Audit Office of the Slovak Republic by the Act on NKÚ SR and the Slovak Constitution. The remaining 52 % of the submissions concerned the auditing of public funds, effectiveness and efficiency of the disposal of state and/or municipal property and requirements to perform audits as such.

Submissions pointed to the violations of legal regulations and concerned mainly:
- uneconomic use of funds – 119 submissions;
- uneconomic disposal of property – 35 submissions;
- state subsidies – 8 submissions;
- public procurement – 20 submissions;
- EU funds – 10 submissions;
- compliance with legislation – 33 submissions;
- taxes, customs duties and other fees and charges – 4 submissions.

As much as 66 % of the total number of all submissions (229) under the scope of the NKÚ SR competence, i.e. 149 submissions, related to the territorial self-governments.

The total number of received submissions falling under the scope of the NKÚ SR auditing competence was 229 of which 47 submissions, i.e. 20 %, served as a basis for the performance of NKÚ SR audit tasks. In a half of these cases the grounds for submissions were justified, i.e. in 29 cases.

Conclusions

NKÚ SR performs its auditing activities under the terms and conditions determined by the amended Constitution and the related amended Act on NKÚ SR. On this basis the Office has carried out a number of activities aimed mainly at the quality improvement of the use and management of public property, by promoting of independent, economic and efficient manner of audit task performance.

Along with certain positive trends in the process of gradual improvement of the use and management of public funds, the generalised knowledge gained during auditing activities also pointed to a number of persistent shortcomings. This is particularly the case of the book-keeping, budgetary performance, programme budgeting, public procurement of goods, works and services, as well as the use and management of property. The level of financial discipline has not yet been improved considerably and certain shortcomings still persist in the field of public budget revenues. NKÚ SR has also ascertained that some of the shortcomings and problems have originated due to the ambiguities and imperfection of legislation. Nor has the functioning of internal control systems improved considerably; and the same applies to the performance of internal audit activities.

On the basis of knowledge and findings gained during audits at public administration bodies and authorities it is possible to state that auditing activities are ensured at all levels of public administration, but they differ in terms of their quality and effectiveness. The interconnectivity between various auditing bodies – their co-ordination, as well as shared use of audit findings – appears to be insufficient.

In order to strengthen the remedy of the aforementioned shortcomings, the Office has started using its new scope of competence in such a manner that allows the audited entities and other respective authorities to solve the detected problems more effectively.
The globalization and internationalization process to which most economic actions are subjected also extends to the public participation of each country within its respective economic system, as can be deduced from, among other manifestations, the resorting to the international capital market in order to satisfy certain financing needs of the public sector and collaboration with companies of a trans-national scope, as well as entering into different agreements signed at the international level and participation in different international organizations.

In this context of globalization, local, regional, national and international relations interlink with each other, all tied to different demands for information in compliance with the obligation to provide accountability of the management that is being carried out; as an essential requisite in the decision-taking; as indispensable information for evaluating the quality of the management carried out and conducting comparative studies; or as a mere right to be informed on the evolution of the economic-financial system. The need to attend to such a varied demand for information requires having certain parameters that will guarantee quality and uniformity in its interpretation.

The use of an accounting system that is as uniform as possible is important for the functioning of an effective competition in the financial markets, given the difficulty of evaluating economic information based on different presentation parameters. As a system of information, accounting requires the use of a common language; in other words, one derived from certain shared general principles, and the information supplied has to comply with the requisites of clarity, relevance, reliability and of comparability among entities, periods and systems.

In this scenario of need to have comparable accounting information, economic blocs are set up, business groups are expanded, power groups become strengthened and the necessity to have homogenous criteria for accounting interpretation is intensified. This goal is met by the International Accounting Standards which, promoted by different...
professional groupings, have achieved a high degree of consensus among the regulators, giving rise to a new framework of norms and to new General Plans of Accounting. It is easy to assume that the need to meet this demand from the international markets has been the main driving force that has promoted a greater accounting homogenization, a goal regarding which the Public Organizations has also joined in.

The European Commission itself considered it appropriate to participate in the international process of harmonization proposed by the International Accounting Standards Board, accepting the invitation to form part of its Consulting Group and subsequently signing a series of agreements aimed at this accounting harmonization. These approaches led, via Regulation 1606/2002 and later Regulations, to the adoption of International Accounting Standards; and to the publication of a new Directive of Parliament and of the Council which modified the pre-existing ones in that field.

With these brief references to the process being followed, the aim is to highlight the commitment of many public regulators to achieve a shared legal framework in the accounting representation of the activity developed by the companies and entities making up the private economic sector.

Even though it could be emphasized that, compared to the globalization existing in the real functioning of the economy, the advances towards a uniform accounting representation of it that have been registered have always lagged behind and with a certain degree of insufficiency compared to the uniformity to be found in economic behaviour, this conclusion nevertheless becomes much more pronounced when the comparison is made in relation to public accounting. The dissociation and diversification between the economic event and the accounting event is more pronounced in the public field.

The specific nature of public sector activity, its direct connection with the budgetary regime, the difficulties in proposing norms for the respective national governments, and, fundamentally, the lower degree of participation in its functioning by the forces of the financial markets can all provide explanations for the greater delay that has been displayed in the harmonization of public accounting. Faced with of these arguments there are many others that could be mentioned which ought to have led to a greater attention to the harmonization of public accounting. So, accountability takes on a greater significance in the public sector; public expenses represent a high degree of participation within the total of the corresponding national economy; the public sector is usually made up of a varied multiplicity of public entities, subjected in turn to different accounting systems; the accounting language used has to be understandable by whoever is interested in the content of financial statements; for public entities certain macroeconomic information is highly relevant; the decentralization of public management entails a greater dispersal of economic information with the corresponding prejudice to the transparency that ought to characterize it; the respective national governments are usually immersed in commitments at the international scale, and which might be easier to follow if there was harmonization of public accounting.

Public accounting has gradually been abandoning its subjection to the budgetary sphere and its reduction to a tool for the exercise of control, in order to take on the role that corresponds to it within a dynamic management and the decision-taking process, requiring that financial statements should offer a true and faithful image of the activity undertaken and of the financial and equity situation, which can be known and interpreted. The evolution of public accounting has been encouraged by the evolution of public management itself.

Simultaneously with this evolution in the accounting regulations of each country, an exchange of knowledge and of all kinds of activities is taking place at the international level as a consequence of the globalization of the markets and the growth in financing and investment processes, as has already been stated.
Nevertheless, focusing on these references in the European Union, there is no sign
that the European Commission has adopted such a committed attitude in favour of
harmonization of public accounting like that already mentioned in relation to private
accounting, due perhaps among other reasons to the fact that it was concerned with
keeping its own accounts.

Independently of certain actions, it can be stated that there is a greater convergence
at the conceptual level, in the field of ideas and concerns, than in the real field, where
advances are very gradual. This situation of a lack of common parameters in the ac-
counting of public management leads, among other manifestations, to the fact that
when the governments of different countries sign certain agreements, such as the im-
portant pact for stability and growth, references have been adopted taken from national
accounting.

The fact that the diversity in the accounting systems applied by public entities is
one of the characterizing features of the current situation on the international pan-
orama and that the impulse towards their homogenization does not enjoy such an influ-
tential regulatory support as is to be found in the standardization of private accounting
does not mean to say that there are no harmonization initiatives being generated in this
sphere as well. So, in connection with the International Public Accounting Standards
Board the International Federation of Accounting Experts has adopted an important
role, encouraged also by international financial bodies such as the World Bank and
the International Monetary Fund, a commitment to which INTOSAI has also joined in,
which is giving rise to the regulating bodies for public accounting in different countries
adopting initiatives in line with the ideas considered in the International Accounting
Standards for the public sector that have already been agreed.

The latest publication known from the International Federation of Accounting Ex-
erts (IFAC), issued in February of this year, 2009, identifies 26 International Standards
for the Public Sector in the basis of the application of the criterion of accrual, to which
is added one more in the event that the criterion of cash prevails, once the initial doubts
have been abandoned of also tackling the modified versions of the above criteria. Nev-
evertheless, this same circumstance of maintaining different criteria reflects the situation
which the harmonization of public accounting currently finds itself in and the need to
progress among the path that is intended.

If international convergence is to be achieved, then it is necessary to accept to a
greater or less degree the same rules issued by the different regulators in their respec-
tive field of decision-taking. This has been the action of the regulating body for public
accounting in Spain which has drawn up a Draft of a new General Plan of Public Ac-
counting following the guidelines set by the International Standards, with the aim of
drawing closer to the General Plan of Accounting having application in private compa-

nies.

Sharing certain common approaches will make it easier to reduce the oft-repeated
accounting variety, which is one of the objectives sought by accounting harmonization.
Nevertheless, in contexts with so many common objectives, as might be the case with
the European Union, it is considered that harmonization ought to be replaced by a de-
definitive standardization of public accounting in a search for uniformity in the applica-
tion of accounting principles and criteria, as has been done in the private sector. This
would thereby facilitate the monitoring of commitments taken on and a comparison of
results among the different members.

As has been mentioned, the disparity of criteria in the keeping of public accounts
has meant that the monitoring of certain commitments that have been signed, such as
the Pact for stability and growth, is being done in terms of national accounting. The
signing of this Pact implied taking on, among other commitments, compliance with the
target of budgetary stability means in terms of SEC-95.
The importance attributed by this System to the nature of the activity that is developed, independently of the juridical form of the public entity that has registered it, means that the result derived from the budgetary execution of the liquidated budgets by the different Public Administrations has to incorporate different reclassifications and adjustments, both at the subjective level and on account of the nature of the operations, until a result is achieved with regard to the capacity or necessity for financing measured in terms of national accounting.

Presented here is a new sphere where the need is considered to achieve a greater uniformity of criteria in the classification of public entities and in the accounting treatment of the same economic operations, which would avoid the currently necessary conversions among systems and would reduce the complexity in the analysis and interpretation of certain macro-magnitudes, a field in which the Supreme Audit Institutions are taking an ever greater initiative, independently of the supervision that might correspond to Eurostat.

In this regard, compliance with the target of budgetary stability is the subject of analysis by the Court of Audit of Spain, which has formally declared itself to be in favour of a greater closeness among the different accounting systems which are currently applied within the broad and differentiated subjective scope of the public sector. This has been stated in a Motion brought before Parliament, in which it is suggested that internal regulations should achieve a greater closeness among the different accounting systems, an approach that can be extended to international regulations.

Transparency, which is one of the basic principles of public action, also materializes itself in accounting information and documentation, demanding that the latter be sufficient and adequate for a correct interpretation of the management being represented. Accounting convergence at the international level would contribute towards strengthening the required transparency.
When financial or economic professionals met at the spring of 2009, they discussed the methods of overcoming the worldwide financial and economic crisis. Heads of the Supreme Audit Institutions have additional tasks too: they have to start taking into consideration the effects this crisis has on SAI audits. In this article I am going to address two issues: first I would list some facts about the state of the Hungarian economy and of Hungarian public finances and compare them with trends prevalent in the whole of the European Union. Then the article is going to deal with how the State Audit Office of Hungary could contribute to the mitigation of the effects of the crisis.

1. Some typical data of the financial and economic crisis in Hungary

The macroeconomic forecast of the Directorate General for Economic and Financial Affairs of the European Commission for Hungary published in January this year indicated a recession of 1,6%, that equals the average of the EU countries. This is bigger only by 0,6% compared to the predicted 1 % recession that the Ministry of Finance calculated with when submitting the final version of the 2009 central budget. It would be great if this recession stopped at 2% but the European and domestic realities are different. The OECD forecast of March 2009 projected a 4% decline of the GDP in the Eurozone. In close connection with this, respectively with the narrowing of the Hungarian export markets, Hungarian forecasts make it probable the domestic production is likely to lessen by at least 4% or even more; regretfully there are even more pessimistic forecasts too. Without wanting to give newer forecasts in relation to Hungary we have to note that such deep recession of the real economy has serious impact on the society on one hand; on the other hand it decreases the revenues of public finances and rearrange the course of execution of the budget not only for 2009 but also for the next few years, just like the timetable of joining the Eurozone.

It is common knowledge that on the EU level the budget balance has considerably worsened.
2007. It is worth mentioning that according to the forecast of the European Commission, by 2009 the deficit probably will be lower than 3% of the GDP in 12 out of the 27 member countries, among them also in Hungary, where – according to the approved central budget – the shortfall is 2.6%. However, in case of Hungary this is but a requirement and not reality. A requirement, because between 2002 and 2006 the budget shortfall in Hungary jumped considerably; by 2006 it was close to 10% of the GDP. As a consequence, beginning with 2007 Hungary had to and has to execute a convergence plan – also under the circumstances of the crisis – that would moderate the deficit in the course of three years to a level beyond 3% that would be in harmony with the Maastricht criteria. For us however, keeping the budget deficit below 3% is not solely an EU requirement but also a fiscal necessity as the international money markets are not ready to finance further significant indebtedness. Meeting this requirement makes it unavoidable to lessen the budgetary expenditures by a further EUR 2 billion (this equals to 2% of the Hungarian GDP) due to the decrease of the GDP exceeding the planned figure. The approval of such a package of actions then will have additional negative effects on the revenues of the citizens and thus on domestic consumption and production.

Summing up the above it should be underlined that despite the economic crisis Hungary has to cut the country's budgetary expenditures further, contrary to Member States that have solid public finances and can try to stimulate their economy by significantly raising public expenditures. The fact that the expenditures of 2008 public finances are showing the planned diminution and there is a will that the deficit in 2009 would be lower, (2,6-3%) than that of the EU Member States, does not change altogether the general situation.

As to the inflation, according to the forecasts, in the EU from the 3,7% in 2008 it will drop to 1,2% in 2009, and to 1,9% in 2010. I wish to note that from among the Central and Eastern European Countries the prognosis for the inflation rate is less than 3% in the Czech Republic, Hungary and Poland. As the Hungarian budget calculated with a 4,6% rate as a starting point this would also mean that the revenues will be also more moderate nominally and thus – even to keep our positions unchanged – public expenditures should be cut back.

According to the forecasts, in the whole of the European Union the proportion of public debt will grow in 2009 to 67,4% and in 2010 to 71,9% of the GDP, compared to the 60,6% in 2008. The capitalization of the banks – that in the Eurozone amounted to 3% of the GDP – has largely contributed to this result. Similar processes have taken place in Hungary. Public debt has significantly grown in 2008 despite that the budget deficit has not reached 3% of the GDP. Because in the autumn of 2008, in order to keep its solvency the Hungarian state was forced to borrow credits worth of 20 billion euros from IMF, the World Bank and the European Union. This borrowing has directly increased the Hungarian public debt despite the fact that a significant part of the credit has not been drawn down yet. The credit can redeem public commitments maturing by March 2010 and as a consequence the Hungarian public debt may be moderated by 2010.

Chart No. 1 is summing up the economic growth and budgetary path as foreseen by the Hungarian Convergence Programme in December 2007 and how this forecast was changed by the economic crisis by December 2008.

As I indicated in the article, even expectations at the end of 2008 have proven to be over-optimistic by now. Therefore, the greatest challenge for the Hungarian Government is to maintain the fiscal path improving the balance despite the economic crisis and in order to prevent the deepening of the financial crisis.

The macroeconomic and financial processes introduced above offer a good picture of how fragile the positions of the Hungarian economy really are. And all this happens despite the fact that – possibly also thanks to the SAO efforts – the primary (net) bal-
The macroeconomic and financial processes introduced above offer a good picture of how fragile the positions of the Hungarian economy really are.

Of course, we also should promote the improvement of the competitiveness of Hungarian enterprises.

We are publishing a public finance quarterly that has considerably influenced the professional opinion leaders.

2. The role of the State Audit Office of Hungary in consolidating general government balance and in efficient crisis management

When outlining the new tasks of the State Audit Office of Hungary I would like to start with what we have accomplished so far; in other words to introduce our direct initiatives concerning the modernization of the regulations of Hungarian public finances and the stability of the budget. Our experiences gained in the process have been of significant help in defining what should we focus on in the perspective of our activities and how should we comply with the new circumstances.

In harmony with the INTOSAI recommendations we have gradually developed our advisory activities in the course of the past years. Our research workshop created with this purpose has earned significant professional authority. We are publishing a public finance quarterly that has considerably influenced the professional opinion leaders1.

Apart from the increased interest for our audit reports the National Assembly and the Government are also counting on our advisory activities while the general professional opinion keeps count of their results. I would like to give a brief outline of this.

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1 Available at the following website: http://www.asz.hu/ASZ/nsf/public_finance_quarterly_about.html
We gave our opinion on the Convergence Programme of the Republic of Hungary and indicated already in 2006 the shortcomings of this programme in respect of the risks that were later proven true, as well as the negative consequences of the fiscal convergence in the course of having the economy bridge the gap.

The SAO prepared macroeconomic studies on the financial position of public finances and the economy, moreover on Hungary’s competitiveness and innovation capacities. These studies have been serving the substantiation of our strictly audit work too and meant mutual synergies in our activities.

In this context, in Hungary the National Assembly agreed with the strategic goal of the State Audit Office of Hungary, i.e. that the institution will examine the macroeconomic substantiation of the budget appropriation bills by risk analysis. In the course of achieving this goal, based on the prognosis of the Government the Research Institute of the SAO analyzed the trend and the measure of the probability of the changes. The essence of the employed method elaborated by the researchers of the Institute is to reveal the long and mid-term trends of the individual processes then analyze if the trends, the changes to be expected in the short run as well as the measures of the Government together would shift the processes in the right direction. By applying this method we were the first to point out the risks that emerged in respect of economic growth, inflation and employment. In order to mitigate these risks the National Assembly corrected the appropriation bill submitted by the Government considerably but not enough when they approved the central budget for 2009.

The SAO document titled “Theses on the Regulation of Public Finances” is an outstanding product of our advisory activities. It was discussed by the National Assembly at spring 2007, adopted by a resolution and the National Assembly asked the Government to utilize the document in its modernization work related to the regulation of public finances. The new regulation of public finances has already some results: the National Assembly adopted an act on budgetary discipline, which limits the increase of public expenditures on the one hand, while utilizes a regulation for the definition of the primary balance of the budget that would ensure the gradual decrease of the public debt on the other hand. The observation of the Act is ensured by the three-member Budget Council, one member of which has been nominated by the President of the SAO, in harmony with the Act.

Another task of the SAO that cannot be termed as ‘classic’ is to countersign the borrowings of the central budget when the institution can examine only the legality of the transaction and its harmony with the central budget but cannot give an opinion on its expediency. An additional limitation is that the countersigning obligation and right of the SAO does not cover public borrowings outside the public finances – as we are going to explain this later.

In harmony with our constitutional obligations – albeit under the conditions of varying interest shown towards our work and variable reception of our recommendations – from the moment of our existence we have been giving our opinion on the fairness of the annual budget appropriation bill, auditing the final accounts on the execution of the budget, and in case of interest – and usually there is – we are at the disposal of the President of the Republic and the leading officials of the National Assembly and of the Government offering direct consultations.

In connection with the above constitutional obligation of the SAO our aforementioned advisory capacities made it possible that we assisted the financial planners of the Government already early autumn last year by stating that their economic forecast for the substantiation of the budget was over-optimistic. In its opinion submitted to the National Assembly and the Government the SAO emphasized already at the beginning of November 2008 that the realization of the budget revenues implies significant risks, due to the economic recession and in order to be able to realize the balance goals fur-
ther cutbacks of the budgetary expenditures have to be implemented. Regrettfully, the
effects of the worldwide financial crisis have proven the correctness of our findings and
risk prognoses.

We are going to continue the above outlined steps but the work done by the SAO
should adapt to the challenges presented by the crisis. The mission of the audit sys-
tem, the focal points and technology of the analyses should follow the economic and
the related social changes. The SAO and the SAIs of other countries now should focus
primarily on crisis management – in our case on the more efficient utilization of funds,
the assistance of determining the line between reasonable savings and “cut-backs” that
would result more in causing damages than reaping profits. We should continuously
audit if the utilization of funds separated for the purposes of crisis management is
efficient; if the efficiency requirements of the crisis management measures are deter-
mimed beforehand; if cut-backs of certain budgetary expenditures mean reasonable sav-
ings or result more in damage rather than in reaping profits – via the narrowing of in-
ternal consumption, the sharpening social tension. I am convinced that we can provide
the most assistance by giving well-founded and timely criticism of the Government’s
measures and promote that the measures targeted to fighting back the crisis should be
realized in the most possible efficient way. One of the main directions of this activity is
the promotion of efficient spending of public funds allocated for fighting the crisis. The
other would be the restoration of the shaken confidence of the investors and customers.

An additional and emphatic audit challenge is the audit of the management of the
sharply increasing public debt. The SAO is regularly auditing the management of pub-
lic debt and the financial operation of the managing institutions. I think that in this
respect the size and complexity of the task will grow. On the other hand, new related
working fields are going to appear, where the role of SAIs has not been clarified yet.

The sources of crisis management packages and those bailing out credit institutions
can be ensured from state reserves, respectively from the money markets via financial
transmission systems. The means of mitigating the crisis are characteristically the in-
crease of capital, offering guarantees and strengthening liquidity. Hungary has also
made steps, thus at the end of 2008 an act was born on the stabilization of the financial
transmission system. However, the act has not been employed yet in practice, as no
banks have gotten close to the state of bankruptcy. The budget has no possibilities for
direct support to animate the economy. It is only credits borrowed from the IMF and the
European Union that might give cover for such purposes by employing means outside
of the budget. Contrary to the borrowings of public finances, such an intervention does
not entail the SAO direct, ex ante (counter signatory) tasks. As the credit package for
crisis mitigation serves to finance the deficit of the balance of payments, the decision-
making, utilization and control responsibilities lay with the trio of the Government, the
Central Bank and the Financial Supervisory Authority.

Considering that after the decision-making, the audit of the efficiency of the uti-
lization of such large amounts of public funds and guarantees, as well as tracing of
the preservation of the capital value belong to a relatively new scope of SAO audit, it
is necessary – and this is my principal conviction – that SAIs, thus the State Audit Office
of Hungary too, participated in these information (monitoring) systems on such financial
transactions. The forms of such participation can be varied; possibly it could be enough
to have cooperation agreements between the concerned institutions, but it might come
to arranging in regulations the new division of scope of authority. The important thing
is that this audit system should be able to review the entire process of creating and al-
locating resources.

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ties can be understood not only as the fundamental condition of efficient governance, but
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citizens. This goal should succeed also in the SAO audits and from this aspect the practice of public procurement, the battle against corruption, the rationalization of the expenditures of the public administration, as well as the revealing of the uneven fiscal governance appear as priority audit objectives. Just like the audit of the utilization of public funds used for modernizing public finances, stimulating the economy, provision of social services, labour market goals and development.

In the framework of macro-level performance audits SAI should be able to give a picture on the factors that influence the efficiency of a given, complex field of social task performance and the background relations. For example, on the effectiveness of the problem-management of the fiscal governance, the utilization level of the financial resources used for such purposes. It is a strategic requirement that based on its experiences an SAI would be able to carry out risk analysis on all the factors threatening the output of both the revenues’ and expenditures’ side of the general government. However, it is obvious that the political preparation of choosing scripts for the Government’ action, but especially the direct laying of the foundation of the related decisions and of the governmental actions fall outside the scope of authority of a Supreme Audit Institution also in Hungary. Nevertheless, it is already our obligation that based on our experiences we should tell what are the risks we see, and where do we deem it necessary to make corrections.

As I was trying to picture the situation, the priorities of the SAO activities are following the social-economic challenges. However, the SAO cannot avert the responsibility to assist the emergence of the public political ideas either. The eternal question is that in the course of our audits and advisory activities what we should concentrate on: the institutional errors that are relatively easy to identify or the weaknesses of the professional preparation of governmental, local governmental decisions and the revealing of the subsequent risks. Today, under the given, difficult circumstances it would mean turning away from our responsibility towards the society if we did not consider the latter as our more important task. Beyond the individual audits we have to carry out summarising research studies to reveal long term trends and risks. The SAO has to undertake the role of an opinion leader and in connection with this has to actively participate in establishing scientific forums, in the professional life.

The State Auditors Institution of Montenegro

MIROSLAV IVANIŠEVIĆ
The President of the Senate
State Audit Institution of Montenegro

The establishment of the State Audit Institution and public sector auditing is a part of a planned strategy of reforming the public finance system and creating an independent economic system in Montenegro. This has been ongoing since the end of the nineties of the last century with the aim of restoring independence and preparing Montenegro for its European future.
preparing Montenegro for its European future. Macroeconomic stability has been achieved by the implementation of the aforementioned reforms, and the efficiency of the public finance sector. The rationality of the spending of public funds as well as their transparency have also greatly increased.

One of the crucial segments in the reform of public finance has been the establishment and the creation of an institutional framework in order to improve the quality of public sector external auditing while accepting and applying the highest international standards. Therefore, public sector auditing is a relatively recent activity in the legal and economic system of Montenegro, as it is in other countries of the West Balkans.

However, the tradition of state auditing is much longer in Montenegro. In the legal system of the Kingdom of Montenegro, state auditing was introduced for the first time in 1901 and it was confirmed in the Constitution of the Kingdom in 1905. Due to certain historical circumstances, the Kingdom of Montenegro lost its independence and sovereignty in 1918. On 21st May 2006, Montenegro peacefully and democratically restored its sovereignty almost one century later. The manner, in which the referendum was organized and conducted, was a major democratic achievement considering the fact that my country is situated on the territory of the Balkans where a great number of territorial disputes and wars have occurred over the years, and, unfortunately, until fairly recently. In such circumstances, Montenegro and its citizens showed that the most delicate problems could be solved peacefully and in accordance with the highest international standards.

As I mentioned before, Montenegro has started adopting modern European standards with the aim of providing higher living standards for its citizens and is committed to creating a relevant economic and financial system for an independent and autonomous country. As already stated one of the most important things for every democratically oriented country is the efficient disposal of state funds, the legal use of state property as well as the provision of all the relevant information to the public about the way taxpayers money is spent. In that process, the role of a sound, competent and independent external body to audit public funds is fundamental.

After having successfully conducted a series of reforms to the budget, tax and payment systems, in 2002 preparations began to establish the State Audit Institution. With the support of the German Government and GTZ, the institutional framework for the proper functioning of a national external audit institution was created and the Parliament of Montenegro passed the law on the State Audit Institution in 2004. This law defined the establishment of the State Audit Institution as an independent supreme state audit organ setting up the organizational and functional independence of its work. The legal framework ensured the implementation of the best international standards and practices and they gave Montenegro the most acceptable model, which promoted a collegial management and its advisory function in relation to Parliament and Government. Passing the law on the State Audit Institution was the first and the most important step in effective public financial control, so that the state audit institution became independent and this at the same time was totally in compliance with the first part of the Lima Declaration guidelines.

I have already mentioned that two years after establishing the State Audit Institution and after the first positive results of its earlier reforms, Montenegro restored its statehood in a referendum on May 2006. and Montenegro adopted its Constitution one year later in 2007. This was the opportunity for the State Audit Institution to fulfill the second part of the Lima Declaration guidelines, related to the independence of the Institution, which states that ‘it is ensured in the legal state system’, which it was unable to do without being enshrined in the constitution. After establishing its independence in the law on the State Audit Institution, the proper positioning of the Institution in the Montenegrin Constitution ensured the legal position of the supreme state audit institution in Montenegro in the sense of creating its institutional independence in law.
In this text, I will try to highlight the most important segments of the Constitution and the Law, related to the independence of the State Audit Institution.

On the basis of the Constitution of Montenegro, the State Audit Institution is defined as "an independent supreme state audit organ". The Institution controls the legality and efficiency of the management of state property and the budget and all financial business operations of the audited entities, which are financed from the State budget or by the use of state property. According to the Constitution, it is also defined that the Senate presides over the Institution and that the State Audit Institution submits an annual report to the Parliament.

The institutional and functional independence of the State Audit Institution is stipulated under the Constitution. At the same time, it was precisely defined by the Law on the State Audit Institution, which Parliament unanimously adopted in April 2004, that ‘the Institution is an autonomous and independent organ.’

The Institution is composed of the Senate and the Auditing Board.

The law defines the Senate, as the collegial organ, which manages the Institution.

The competence of the Senate as defined by the Constitution and specified by the Law is to:

- adopt the Annual Report and special reports;
- adopt the annual audit plan;
- make decisions in cases where no decision can be made in accordance with Article 44,
  Paragraph 3 of this Law;
- adopt instructions on the method of work (audit standards);
- review, upon request of the Auditing Board, the Senate’s previously adopted decisions and decisions adopted by the Auditing Board;
- adopt the Rules of Procedure of the Institution;
- adopt the Act concerning the Internal Organization and Systems of the institution;
- adopt the financial statement of the Institution;
- carry out other activities determined by this Law and by general acts of the Institution.

(The Law on State Audit Institution, article 38)

The Senate decides by a majority of votes of the total number of all members of the Senate. (The Law on State Audit Institution, article 37)

The Senate has five members. The office of membership of the Senate is permanent. (The Law on State Audit Institution, article 34)

The President of the Senate, who is appointed from among the members of the Senate for a period of nine years, chairs the Senate, represents, and acts for the Institution. The President of the Senate is the head of a sector, and its competence includes the audit of the Annual budget balance sheet of Montenegro. He also is the head of the Auditing Board for the audits related to his sector and a member of other Auditing Boards.

(The Law on State Audit Institution, article 39)

The Institution is organized into sectors, where departments are formed based on their professional field of activity. Thus its competence, which is defined by the Constitution, and law, is divided into sectors, with the aim of improving the organization.
The Auditing Board, as an organ of the Institution, is in charge of, supervises the auditing process, and is responsible for the results of the audit.

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The Auditing Board shall consist of two Members of the Senate, one of which is the Head of the sector conducting the audit. (The Law on State Audit Institution, article 44)

According to the Rules of Procedure of the SAI, a member of the Auditing Board is responsible for the professional consideration of the questions related to his field and for the quality of the results of his auditing team. As the head of the sector, he performs the administrative tasks for other activities of the Institution and he has the responsibility for managing his staff.

The Auditing Board unanimously makes decisions and conclusions. Neither the Senate members nor the President, who is the head of the Auditing Board, has the right to reach individual decisions in the auditing process. If the members of the Auditing Board do not reach unanimous agreement regarding the audit, then the audit report is submitted to the Senate in order to reach a decision.

The independence and autonomy of the Senate members is in parallel with the independence of the Constitutional Court’s judges and this is derived from and defined by the law:

- No one shall influence a Member of the Senate of the Institution in performing his/her duties as provided by this Law. (The Law on State Audit Institution, article 2).
- The Institution shall decide independently regarding the entities to be audited, and the subject matter, scope and type of audit, time required and method of auditing. (Article 9).
- The audited entity has the obligation to make available to the Institution or its authorized persons the documents or information of a confidential nature or documents, which are classified as confidential or other secrets. (Article 10).
- The Institution decides independently on requests for providing information or making documents available. (Article 24).
- The Institution has the legal right to bring criminal charges, if during the audit procedure it determines that there is reason to suspect that a criminal offence has been committed. (Article 23).
- The permanency of the office of the Senate Member is defined and the conditions for the termination of his office and dismissal are precisely specified so that there is no possibility of political interference. (Article 34).
- The Institution autonomously makes all decisions relating to the Organization and the method work of the SAI (Article 38).

The Law also stipulates strict restrictions for the members of the Senate, which provide for their impartiality and avoidance of any conflict of interests. According to the Constitution, it is stated that a member of the SAI may not be a member of any body of a political party, and the Law specifies the prohibition of membership of the management boards of companies and other legal entities.

According to the Article 9, Paragraph 1 of the Law on the SAI, the Institution decides independently regarding the entities to be audited, the subject matter, scope and type of audit, time period and method of auditing, and its independence and autonomy is...
A high level of independence has been achieved regarding financing the activities and needs of the Institution. The Senate of the Institution submits the annual audit plan for any given year no later than 10th January of the same year. The audit plan is based on the initiatives of the state auditors, and may be the product of their remarks regarding previous audits. The preliminary recommendations are considered in sectors, due to their specific professional competences and they are then submitted to the Senate by 1st December.

A high level of independence has been achieved regarding financing the activities and needs of the Institution. The Institution submits its request to the Parliament of Montenegro for a budgeted allocation of funds, through the authorized State Budget Committee. This procedure differs from the procedure for other spending units, who submit requests to the Ministry of Finance. It is presumed that the budget politics of the Senate of the Institution complies with the rules of the established budget framework, which are also applied to the Government and the Parliament of Montenegro, but at the same time, it emphasizes and provides the necessary funds for the independence of the Institution.

In my opinion, the appropriate institutional framework, five successful years of hard work and development, successful international and regional cooperation including membership of both INTOSAI and EUROSAI, have together formed a good basis and that the State Audit Institution of Montenegro is developing into a sound and competent Institution, which will help its country develop through its control, supervision and counseling of the subjects it audits. Throughout the relatively short period of its work, the Parliament of Montenegro has unanimously adopted the recommendations of the Institution and the audited entities responsibly and promptly eliminated the shortcomings and irregularities, which the SAI identified in its audit reports. I also consider that the SAI has become recognized in the system and by the public of Montenegro in a relatively short period, something that I consider to be very important.

Finally, I would like to conclude that the results it has achieved have been very positive and that this model of an independent institutional framework together with the complete impartiality of its work have helped the SAI to be independent in practice, all of which bode well for the future development of the Montenegrin Supreme State Audit Institution.
Russia has entered the next stage of socio-economic modernization, the goal of which is to achieve a higher level of life quality and to gain a global competitive edge for the national economy. In the meantime, against the backdrop of the global financial crisis, the government’s role in regulating these socio-economic processes increases significantly. Accordingly, enhancing the efficiency of government activities and combating corruption become the tasks of prime importance.

The National Anti-Corruption Plan, which proposes a set of consistent measures contained in an anti-corruption policy package, was adopted in Russia. For the first time in the legislative practice the concept of corruption per se as defined by the international legal acts and, first of all, by the 1999 Strasbourg Convention, was introduced into the current legislation. Also, in compliance with the international practice, Russia made amendments to the Criminal Code that will allow for such punitive measures as forfeiture of property to be applied to corrupt officials.

The Anti-Corruption Policy Package is primarily focused on prevention of corruption occurrences and preventive maintenance within the legal system. With this objective in mind, the government is tightening control over the credibility of information on property and income of government officials, as well as their immediate relatives. In addition to this, the concept of “conflict of interests” is being introduced into the law. Also, we strictly regulate situations associated with the conflicts of interest, for example, potential employment opportunities for a government official at a for-profit organization or failing to report known cases of corruption to authorized persons.

It is very important to defeat the economic roots of corruption, to terminate the excessive powers of executive and municipal authorities and block corruption links in the system of government and business relationships. This is why the Anti-Corruption Policy Package provides for a unification of rights and responsibilities of government officials as well as for eliminating unreasonable prohibitions and restrictions in the area of economic activities.

Anti-corruption laws are based on the necessity to pursue a common and integrated policy in this area.
Another focus of the anti-corruption activities is to reduce administrative pressure that regulatory agencies themselves put on the economy. The Accounts Chamber also participates in improving bankruptcy legislation to tighten the liability for setting up fraudulent bankruptcy and use of bankruptcy as a tool for property redistribution (corporate raid).

The Accounts Chamber also participates in improving bankruptcy legislation to tighten the liability for setting up fraudulent bankruptcy and use of bankruptcy as a tool for property redistribution (corporate raid). We have established and are actively running the Committee that combats corporate raid. Presently, governors of a number of regions initiated audit inspections on the strategically important enterprises owned by the state that are undergoing bankruptcy or a restructuring process.

Currently Russia is implementing large-scale investment projects with the participation of state funds. This being said, private-public partnership mechanisms have not been fully developed at the federal legislative or applicative levels, which creates conditions for financial abuse and corruption. The object of our much concentrated attention is implementation of the two most resource-intensive with the highest international

Another focus of the anti-corruption activities is to reduce administrative pressure that regulatory agencies themselves put on the economy. In this respect, the Accounts Chamber is engaged in work on introducing modifications to the Budgetary Code that are aimed at developing an integrated system of state financial control in Russia and more distinctive delineation of powers of internal and external financial control bodies. That will allow us to decrease redundancy in the work of these financial control bodies and, consequently, to reduce the total number of audit inspections.

As a part of the National Anti-Corruption Plan, the Accounts Chamber developed its own Action Plan where special priority is given to the legal basis for combating corruption. Within this project we prepared amendments to the Basic Law on Government Contracts. The system of government contracts in Russia is extremely bureaucratized which creates environment favourable for corruption.

Furthermore, in the conditions of the global financial crisis, excessive bureaucratization hinders both the implementation of government processes aimed at the motivation of economic activity and the support for strategically important branches of economy. Amendments to this law suggested by the Accounts Chamber are focused on developing an integrated federal contract system with a unified planning, budgeting and administrative system. As a draft project, the amendments were presented to the President and the Prime-Minster and were approved by them.

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The Accounts Chamber made suggestions on optimizing the activities of numerous regulatory agencies, in order to reduce the administrative pressure they put on the economy. These suggestions were considered during the preparation of draft legislation that makes provisions for clear and strict procedures for governmental authorities to arrange and perform audits on small and medium-sized enterprises.

Another high-priority task in this area is to further improve the legislative base in terms of its liability for violating budgetary regulations and, ultimately, for the inefficient and unproductive use of budgetary funds. The Accounts Chamber also gives due consideration to the improvement of legislation that regulates the system of federal property management. One of the priorities of our activities in this area is to improve the accounting of the Treasury’s property and the way in which it is documented within financial statements.

The Accounts Chamber also participates in improving bankruptcy legislation to tighten the liability for setting up fraudulent bankruptcy and use of bankruptcy as a tool for property redistribution (corporate raid). We have established and are actively running the Committee that combats corporate raid. Presently, governors of a number of regions initiated audit inspections on the strategically important enterprises owned by the state that are undergoing bankruptcy or a restructuring process.

For example, our recommendations were accepted for the optimization of the general financing structure for the Sochi Olympics project, which allowed us to precisely divide flows of funds allocated for construction of athletic facilities and modernization of regional and municipal infrastructure. In this case we used the experience of our British colleagues, who are supervising the preparations for the 2012 Summer Olympics in London.

Under these private-public partnership mechanism development projects we have created a number of state corporations in Russia. Their task is to consolidate efforts of government and business in the strategically important areas of economic development, for example, in the aeronautical engineering or nanotechnology industries. For the most part, the legal form of these corporations is a non-profit organization which complicates immediate control over them on the part of the government. At the moment the Accounts Chamber signed relevant documents with almost all of those corporations on the procedures for the auditing of their financial and operational activities. Our primary concerns, at this point, are efficient management of financial resources and estimating risks when using budgetary funds.

The global financial crisis also contributed to the adjustments in the Accounts Chamber work. In Russia, like as in other countries, we are implementing large-scale anti-crisis programs designed for allocating extra funds at the amount of over 10% of GDP to the economy. Recipients of state financial support funds are a broad spectrum of banks and enterprises from all forms of ownership. In this respect the Accounts Chamber reorganized its work so as to perform on-line monitoring of state financial resources used in three key areas: in banks, in major companies-borrowers and in regions.

Regional audit institutions are of great assistance to us; they provide us with information on how efficiently state financial support funds are used at the local levels. Activities in this area are coordinated by the Association of Audit Institutions established in 2000. Here high emphasis is placed on methodological aspects, organization of seminars and research/practice conferences, sharing practical experience of participation of audit institutions in anti-corruption activities.

The key specific feature of the global economic crisis is its global magnitude, i.e. it affects practically all national economies of the world. Although every country has its own specific character, manifestations of the crisis are in many ways similar. For instance, significant support provided by the government to banks and other financial institutions by no means always results in the improvement of lending conditions for enterprises and individuals. In connection with this the Accounts Chamber of the Russian Federation supports creation of a new INTOSAI task force which would be dealing with the development of strategy techniques and organization of government control in the conditions of global financial crisis.

Development of such strategy techniques is becoming more and more important in our cooperation with law-enforcement agencies as well. Thus, in association with our colleagues we currently work on the development and implementation of the indicator system that will allow for evaluating the level of corruption risk in the federal and municipal administration bodies. We are also planning to develop a method for an external evaluation of the internal audit systems quality and management of the institutional risks for the budget fund recipients, including those involved in the private-public partnership.

The final result of our work in this area should be the development of the techniques that will allow us to carry out on regular basis performance audits of the use of budgetary funds allocated for implementation of the National Anti-Corruption Plan. We
believe that this will create basis for system monitoring of the efficiency of the state anti-corruption policy.

In the meantime, the Accounts Chamber is implementing a set of measures aimed at minimizing internal corruption risks. An approved methodology for planning our activities stipulates that a work plan should, in the first place, include issues associated with budget implementation and solutions for the most urgent problems of the socio-economic development of the country. Alterations to the audit schedule, including those introducing additional objects, are acceptable only when there is relevant substantiation as considered by the Board. In accordance with the international anti-corruption standards all audit employees must sign an agreement to adhere to a series of documents, which now includes the code of ethics of the audit institution employee. Our Anti-Corruption Plan also includes such measures as the establishment of a task force for internal anti-corruption control, arrangements for the rotation of auditors and eliminating possibilities for repeated involvement of the same auditors in auditing the same objects.

The most important component of the Accounts Chamber anti-corruption activities is strengthening international cooperation. We work in close contact with the specialized organizations, such as the Group of States against Corruption (GRECO), FATF and the Egmont Group, and promote the spread of international anti-corruption standards in Russia. The Accounts Chamber State Research Institute for System Analysis has implemented, as a part of the United Nations Development Program in Russia, a pilot project aimed at the expansion of the national potential in the area of expert anti-corruption examination of the legislation and improvement of the coordination between government and society activities within the anti-corruption sphere.

As a member of the Governing Board of INTOSAI the Accounts Chamber of Russia works diligently to promote SAIs’ partnership in this area. Upon our initiative, the 17th INTOSAI Congress, held in Korea in November 2001, adopted a resolution which established an INTOSAI Task Force on the Fight against International Money Laundering which has made a substantial contribution in the field of integration of SAIs into international national systems of fight against “financial laundries”. Anticorruption problems have been put on the list of priorities for our cooperation in EUROSAI, ASOSAI, Council of the Heads of the SAIs of the countries – members of the Council of Independent States.

As for bilateral interrelations of the Accounts Chamber with our counterparts abroad I would like to put particular emphasis on very productive experience of our cooperation with from the UK National Audit Office. In 2007 we prepared a joint report where on the basis of comparison analysis of the experience of the two countries we developed concise recommendations on the further enhancement of efficiency of our work in realization of anticorruption strategy of the state.

Another example of fruitful bilateral cooperation: in January this year together with our colleagues from the Accounting Chamber of Ukrain we started audit of realization by the “Rosukrenergo” russian-ukranian joint venture of commitments on contracts on gas delivery from Russia to Ukrain and its transportation via the territory of Ukrain to European consumers by the “Gazprom” open share-holding company.

To summarize I would like to mention that the global economic crisis as well as adoption of specialized national anti-corruption programs in many countries establish prerequisites for further development of cooperation on this issue within INTOSAI and other international SAI organizations.
The use of “focus groups” for performance audits by a Supreme Audit Institution – a first experience from the European Court of Auditors

MARTIN WEBER AND GARETH ROBERTS
European Court of Auditors

The European Court of Auditors (ECA) is the European Union’s external auditor. It promotes accountability and transparency and assists the European Parliament and the Council in overseeing the implementation of the EU budget. Whilst perhaps better known for its audits of the financial aspects of the European Union’s budget, the Court also carries out so-called performance audits to verify whether the EU programmes and policies are efficient and effective and whether they are managed economically.

Introduction

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Based on the experience of a performance audit recently undertaken by the European Court of Auditors this paper will illustrate how the independence of a Supreme Audit Institution (SAI) can be preserved in a context of an audit which relies in part on the use of external expertise during the audit fieldwork phase and where it is considered essential to involve stakeholders actively in the process. In particular, it sets out how “focus groups” were used as an innovative element in this process to discuss and critically review the Court’s preliminary audit findings.

The Court’s audit of the FP evaluation system

In December 2007, the European Court of Auditors published a report on the European Commission’s system for evaluating the EU RTD framework programmes detailing the conclusions and recommendations of an audit carried out on this subject during 2005 and 2006.

Defining the scope of the audit

The Court’s audit of the evaluation system for the FPs was an attempt to provide a balanced and independent assessment of the Commission’s work in the field of

1 The article reflects the personal opinions of the authors and not necessarily that of the European Court of Auditors.
3 Weber, Martin & Roberts, Gareth; “Evaluating the EU Research and Technological Development (RTD) framework programmes – could the Commission’s approach be improved?”, FTEval, Nr.31, April 2008.
research evaluation. Before embarking on a full-scale performance audit, the Court carried out a preliminary study in 2005. In addition to enabling the auditors to obtain a sufficient understanding of the field, the aim of such preliminary studies is to conclude on the feasibility of an audit, to define its scope and to propose audit questions that can be used as guidance in the subsequent stages. A final decision to carry out the audit was taken by the ECA in September 2005. In the detailed planning memorandum for this performance audit, it was specified that its main objective was to determine whether the Commission had an adequate approach to assessing the results of the FPs.

The scope of the investigation was understood to include not only a verification of compliance with the legal requirements specified by the legislator, but also (and maybe more importantly) a check as to whether the expectations of the main stakeholders had been met, and whether the Commission's work in this respect could be considered as "good practice".

In December 2005, the Court also agreed to the EFTA Board of Auditors' request to participate in this audit. EFTA countries are associated with the FPs and thus contribute towards their budgets.

The main features of the Commission's evaluation system had remained unchanged since the mid-1990s. Therefore, it was decided that the audit should cover the relevant arrangements for evaluations under the last three programming periods, i.e. FP4 (1995 – 1998), FP5 (1999 – 2002) and FP6 (2003 – 2006). However, it was established that it should also provide an outlook on the current FP7 (2007 - 2013) and should, within the framework defined by the legislator in the programme decisions, make recommendations on how to improve matters.

The audit fieldwork

The audit fieldwork, carried out by a team of four auditors, started in October 2005 and was finalised approximately one year later. Nearly all the team members had had previous experience with performance audits or evaluations in the research area. The various stages of the audit are depicted below.

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Box 1: The role of the EU in supporting RTD is provided for in the EU Treaty, which also lays down the objectives of strengthening "... the scientific and technological bases of Community industry..." and encouraging it "... to become more competitive at [the] international level ...". Through its multi-annual RTD framework programmes (FPs), the EU provides funding to researchers within its Member States, associated countries and international organisations. In the current FP7 (2007 – 2013), annual funding averages 7.2 billion euro. The overall share of the FPs in total public RTD funding within the European Union and its Member States ranges between 4 % and 5 %. The FPs differ from many national research programmes in that they cover both basic and applied research, with the participation of industry and public research organisations.

The Commission has had a system for monitoring and evaluating its FPs in place since the 1980s. Starting with FP4 in the mid-1990s, the monitoring and evaluation system consisted of a number of partly linked activities, including annual monitoring (mainly of programme implementation) and five-year assessments (5YAs) of FP activities (and, as from FP6, additional assessments of specific issues). Both activities had to be carried out with the assistance of external experts.
EUROPEAN ORGANISATION OF SUPREME AUDIT INSTITUTIONS
REPORTS AND STUDIES

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The audit started out with a detailed review of the legal and statutory requirements applicable to FP evaluations (such as the legal basis for the FPs, the EU Financial Regulation, the Commission evaluation standards and guidelines and examples of international good practice in research evaluation). Subsequently, the auditors analysed the objectives and performance criteria specified for the FPs and their constituent programmes (both at the policy-level defined in the legislative acts and at the operational level of the Commission’s work programme) and the management information available within each of the “research DGs”.

Finally, the audit looked at the organisation of evaluation and monitoring activities within the Commission and scrutinised a comprehensive sample of more than 80 monitoring and evaluation reports produced during the period audited. These evaluation studies were categorised according to the type of report, the approach and methodologies employed and the main findings reported in order to identify the major characteristics of the studies underlying the main evaluation exercises such as the 5YAs.

Assessment of stakeholder expectations

From the start of this performance audit there was a firm belief within the Court that areas for improvement could most likely be identified by looking at international good practice, both within the EU Member States and beyond.
Therefore, the auditors interviewed around 90 experts identified as stakeholders in Member States and associated countries (Czech Republic, Germany, Estonia, Spain, France, Italy, Luxembourg, Netherlands, Austria, Finland, Sweden, United Kingdom and Norway) in addition to more than 60 Commission officials. These interviews were based on a standardised questionnaire and focussed on the experts’ perception of the Commission’s evaluations, on possible “lessons to be learnt” from research evaluations at national level and their expectations for future evaluations of the FPs.

The audit team then carried out two fact-finding missions in the USA and Canada. These countries had been selected as an international comparison group and more than 65 experts in the field of research evaluation were interviewed.

Finally, surveys were carried out with institutional stakeholders at the European Parliament (EP) and the Council. The questionnaires were addressed to the members of the EP’s “Industry, Research and Energy” (ITRE) committee, which is responsible for research policy and to the Member State representatives in the Council’s CREST² committee. Most of the questionnaire related to their perception of the Commission’s FP evaluation and monitoring activities and, with regard to future evaluations, their expectations and information needs.

External assistance

Given the complexity and methodological difficulty of evaluating research, the Court decided from the beginning to seek assistance from external experts for several aspects of the audit. Following a call for tender, three consultancies were selected to provide support for specific work packages defined in the Court’s detailed planning memorandum.

The assistance provided by the external experts consisted of a review of academic literature and a comparative analysis on current trends in research evaluation, input to the design of the audit and the participation in the fact-finding missions to the USA and Canada. Furthermore, external assistance was provided for the facilitation of “focus groups” as outlined below.

Focus groups as A sounding board

Preliminary audit results scrutinised by focus groups

A crucial step in this audit task was the discussion of the preliminary findings, conclusions and recommendations with research evaluation experts from several EU Member States, associated countries, the USA and Canada during a series of facilitated focus groups. The focus groups constituted an integral part of the audit process and were designed to provide an important forum for the discussion and critical review of the Court’s preliminary conclusions.

The function of the focus groups was not to conduct their own assessment of the Commission’s evaluation processes and procedures but rather to comment on and critically review the Court’s analysis, conclusions and recommendations and, where appropriate, suggest areas where they could be improved. They were therefore aimed at enhancing the quality, relevance and legitimacy of the overall outcome of the audit process.

How was the focus group process organised?

The focus group meetings took place in February 2007 at the Court’s premises in Luxembourg. The groups, which totalled around 30 experts, comprised evaluation practitioners,

² The CREST (“Comité de la Recherche Scientifique et Technique” - Committee for Scientific and Technical Research) is made up of representatives from national authorities who are responsible for the scientific and technological policies of Member States. CREST has an advisory role, informing the Commission and the Council, in particular on subjects relating to the co-ordination of national R&D policies and the monitoring and evaluation of the FPs.
representatives of national ministries and research organisations, programme managers and academics selected in such a way as to ensure a balanced view and a mix of nationalities. In addition, representatives of the European Parliament and the Commission were invited as observers. The focus groups were facilitated by an experienced team of consultants.

All participants were provided with briefing materials, including an interim report of the Court’s preliminary audit findings, conclusions and recommendations, that they were asked to read, study and consider before the start of the meeting. Importantly, given the preliminary nature of the audit conclusions at the time of the meeting, all participants were bound by confidentiality agreements.

The meeting started out with a brief presentation of the auditor’s main findings. Then, four sub-groups were convened and were asked to scrutinise the Court’s interim report and each provide a detailed set of comments and suggestions. Rapporteurs drawn from the participants in each of the focus groups were appointed ahead of the individual group session. In addition, for each group a so-called “ice breaker” was nominated to briefly present his or her personal reflections so as to “kick-off” discussion.

In order to assist in this process and maintain a minimum level of consistency, each focus group was asked to consider a series of questions as follows:

- Has the evidence been interpreted appropriately?
- Are the conclusions reached by the Court valid?
- Are the recommendations proposed by the Court appropriate?
- Are there implementation issues or challenges that should be anticipated?

How did the Court use the results of the focus groups?

At the end of the focus group session, the rapporteurs and facilitators met to produce a summary of the discussions in their groups. These formed the basis of a joint debriefing attended by the rapporteurs of the four sub-groups, the external facilitators and the Court’s audit team.

After the debriefing meeting, the external facilitators summarised the verdict of the participants (as presented by the rapporteurs) in a report on focus group proceedings. The audit team carefully considered the comments and suggestions made in this report. In March 2007, the participants received a copy of the facilitators’ summary report and an updated version of the Court’s “interim report” showing how the text had been modified to take account of the focus group discussions. This modified interim report

Focus groups are particularly well-suited for obtaining a number of views on the same subject. The use of focus groups is common in marketing and, increasingly, in politics and opinion polling in order to elicit responses and reveal new perspectives from a group of people held to be representative of consumers or target groups.

The participants need to have an interest in the subject and ideally there should be a mixture of backgrounds. During a focus group session it can be expected that the discussion will stimulate views that, at first, are diverse and even divergent. One key role of the facilitator is therefore to manage the discussion in such a way that common ground can be found and views begin to converge, although full consensus of views is not the aim of a focus group discussion.

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The use of focus groups as a sounding board for audit findings and a way of assuring quality before making the results of an audit public was a stimulating experience and certainly an innovation for the European Court of Auditors as a public audit institution.

In a survey carried out among the focus group participants after the sessions, almost all the respondents felt strongly that they had had the opportunity to express their views and opinions during the focus group sessions. But even more importantly, almost all the participants partly or strongly agreed that the changes made to the interim report adequately responded to the comments and suggestions made during the focus group sessions.

Clearing up the facts and the Commission’s right of reply

Despite the use made of focus groups in this way, it is emphasised that the findings, conclusions and recommendations published in Special Report N°9/2007 remain entirely the point of view of the Court. This was always at the forefront of the auditors’ minds, and was also made clear to the experts participating in the groups.

Whilst the auditor and the auditee (in this case, the European Commission) may disagree on the conclusions and recommendations of a performance audit, there should be no disagreement about underlying factual findings. For this reason, making sure that the facts published in an audit report are correct is of major importance to all auditors, including the European Court of Auditors.

According to common practice among audit institutions, interim observations are therefore sent to the audited body for comment and the validation of the factual findings. In the EU context, these intermediate reports are called “Statements of preliminary findings” (SPF), and the Commission has to provide a reply to these observations within 8 weeks (see Figure 2).

When the audit has been completed (i.e. the Commission has replied to all SPF), a draft final report is discussed by the Court (composed of 27 Members representing the Union’s Member States) and, subject to the modifications agreed, provisionally adopted. This preliminary report is then sent to the Commission again for verification and comments and the Commission has 10 weeks to reply. After this final clearance procedure, the Court formally adopts the final report, together with the Commission’s replies which are published together with the report. The final report is then submitted to the European Parliament and the Council.

Conclusion

This paper gives a brief overview of the approach followed by the European Court of Auditors in its audit of the European Commission’s system for evaluating the EU RTD framework programmes.

An insight into the background and process of such a performance audit has been provided, with a particular attention to the use of “focus groups” as a means to discuss and critically review the Court’s preliminary audit findings.

Carrying out such “focus groups” has certainly helped to make the report’s conclusions resonate with stakeholders in the field of research evaluation.

References

[All ECA publications can be downloaded from http://www.eca.europa.eu].
Use of the State Capital Shall Be Efficient, Appropriate and Transparent

THE STATE AUDIT OF LATVIA

Audits on economic activity are especially important during economic recession, when the State shall strive to optimise use of resources, gaining possibly highest added value with regard to increasing the State budget revenue, and achievement of long term objectives.

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In 2008 the State Audit Office of the Republic of Latvia has set a priority to assess the State economic activity, conducting audits on efficiency and usefulness of use of the State capital, at the same time analysing effectiveness and sustainability of such action, real and potential possibilities of gaining profit etc. Audits on economic activity are especially important during economic recession, when the State shall strive to optimise use of resources, gaining possibly highest added value with regard to increasing the State budget revenue, and achievement of long term objectives.

It shall be noted that significant violations of public administration institutions were disclosed in all audits conducted by the State Audit Office of the Republic of Latvia in 2008, what indicates a need for introduction of systemic changes in the area of the State capital management.

Within the framework of conducted audits the State Audit Office of the Republic of Latvia disclosed that no particular provisions are defined that would specify what added value the State anticipates to obtain through investing, leasing, selling of or performing other actions with the State capital. As the State does not have a specific position in this question, a commercial company is also not motivated to promote State capital return, and to ensure efficient implementation of the State policy. Consequently the State does not gain substantial revenue and does not achieve long term objectives.

Results of the audits indicate both non-application of sound management principles within the framework of regulatory enactments in force, and the need for amending the regulatory enactments to specify more accurately responsibility of the State shareholders and to ensure administration professionalism. In turn, company strategies shall outline objectives for use of the capital, achievable results and anticipated benefits. The State needs a strategic vision regarding the State capital use objectives, as well as more responsible action of supervising institutions with respect to performance of entrusted functions.

The abovementioned conclusions are confirmed by economic activity audits of the State, for example, in the audit on activity of the Ministry of Finance and state joint-stock company (hereinafter – SJS) “State Real Estate” the State Audit Office of the Republic of Latvia disclosed many deficiencies, thus it may be concluded that immovable property management policy is not appropriate and does not ensure observance of the State interests, as neither construction nor management process is systematic and transparent. The State Audit Office of the Republic of Latvia also informed Prosecutor General Office on the findings of the audit.

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The State Audit Office of the Republic of Latvia also informed Prosecutor General Office on the findings of the audit.
Significant violations and deficiencies were disclosed assessing economic activity of SJSC “Riga International Airport” (hereinafter – the Airport). The audit concluded that the State budget funds for the Airport were requested without justification – firstly, for financing of functions not falling under the responsibility of the State, and, secondly, the requested amount of financial resources significantly exceeded the needs, as a result - the Airport had partially utilised these funds not in accordance with objectives.

In turn, assessing the performance of joint-stock company “Latvian State Forests”, the State Audit Office of the Republic of Latvia disclosed that the Ministry of Agriculture had not ensured sufficient supervision over State company, and had not properly assessed the amount of resources to be annually transferred to the State budget as a payment for use of state capital and a payment for selling of the State property – the forests. The State Audit Office of the Republic of Latvia concluded that the State receives inadequate payment since 2004, when the company’s profit had increased. Accordingly, the ministry had not ensured that the State received adequate benefit for use and sale of its property.

The State Audit Office of the Republic of Latvia on all occasions has proposed to responsible institutions to develop relevant regulatory enactments and promote appropriate action of the State, assessing priorities of each area, striving to achieve specific results with highest added value in an open and transparent manner.

The State Audit Office of the Republic of Latvia as the most important objectives for 2009 has put forward the following – to promote achievement of objectives and results determined for a sector with most rationally and efficiently organised work of institutions, and useful and efficient use of resources.

“Future through Cooperation”

THE COURT OF ACCOUNTS OF MOLDOVA
South Eastern European Cooperation Process (SEECP)
Meeting of the Heads of Supreme Audit Institutions (SAIs)
Chisinau, 19 September 2008

During Moldovan SEECP Chairmanship-in-Office in 2008-2009, with a view to get the SEECP SAIs more actively involved in this process, the Court of Accounts of Moldova and the Ministry of Foreign Affairs and European Integration organized the Meeting of the SEECP Heads of SAIs “South East European SAIs: Developments and Prospects” and the International Conference “Ways to improve SAIs activity within the European vector framework: experience and Practices of the South East European SAIs” in Chisinau, on 19 September 2008.
having as a key objective the European integration as a foundation for reforms and development of the countries in the region.

Presidents and representatives of SAIs from South East European countries Albania, Bulgaria, Greece, Moldova, Montenegro, Romania and Turkey participated in the event. Special invitees: representative of the European Organization of Supreme Audit Institutions (EUROSAI), World Bank, SIGMA and Swedish National Audit Office representatives.

Premier Zinaida Greceanii addressed with an opening speech to all the participants, wishing them constructive activity, strengthening of cooperation relations in the field of public external audit between the SEECP SAIs by developing upward, aspiring to a peaceful, prosperous and united Europe.

The favorable climate during the works of the Meeting and the discussions around the proposed topic at a highly professional level will generate progress in the activity of the SAIs in the region, intensify cooperation and sharing of experience, thus bringing a significant contribution to the advancement and rapid development of our countries, to a South East European region based on mutually shared European standards and values, motivated in the position of a united Europe.

SEECP SAIs heads adopted the Joint Declaration, reading that the participating SAIs:

- acknowledge the importance and relevancy of the processes aimed at improving SAIs activity in the context of European integration, appreciating the transformation of the participating SAIs as a remarkable element for the European perspective of the South East Europe countries;
- consider that accession to the EU is a prerequisite for the implementation of institutional and legal reforms in public external audit and financial control;
- choose to get in line with the best public external audit practice and international standards by adjusting their legal frameworks and process of reforming public external audit work;
- SAIs of states participating in the SEECP, which have already become EU Members will play a supporting role in the fulfillment of the commitments related to the implementation of the INTOSAI Standards of Audit, European Guidelines, and other international papers in the field of public external audit;
- encourage cooperation with other highly developed and internationally recognized SAIs from the EU, seeking a shift to a modern audit approach in accordance with the best EU practice, by preserving the context specific for our countries, and which does not deviate from the general principles of the European approaches regarding Public Financial Management and Control.
During the second half of September 19, the Conference “Ways to improve SAIs activity within the European vector framework: experience and Practices of the South East European SAIs” was held with the participation of SEECP SAIs representatives (Albania, Bulgaria, Greece, Moldova, Montenegro, Romania and Turkey).

During the Conference, the speakers noted that an efficient external audit over the public financial management is a key to ensuring high standards in the area of public finance management, and this is the fundamental prerogative of good governance, which benefits the citizens of the country, generates economic and social progress of the country and region.

It was observed that SAIs, more than other institutions, should orient their activity through an international perspective, leaving at the same time place for the national specific of each country, and meditate in common on the SAI’s evolutions and prospects.

The participants in the Conference were interested in developing experience, sharing knowledge and good practice among SAIs through bilateral, regional and international (INTOSAI, EUROSAI, etc.) cooperation, stressing that cooperation is a necessity for SAIs. It was noted that SAIs should adjust their audit activity to the new governance conditions, to apply audit methods and standards, to operate efficiently and effectively and be transparent in their activity.
New Developments in the INTOSAI Development Initiative (IDI)

ELIZABETH L. WALMANN
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Riksrevisjonen of Norway

The IDI Strategic Plan 2007-2012 introduced a shift of emphasis from mainly training to a broader capacity building approach. In other words, from the development of “people” to the development of “people, processes and products”. To fulfil its goals and objectives, the IDI delivers needs based programmes at the trans-regional, regional and sub-regional level that incorporate new programme design and delivery mechanisms with a comprehensive capacity building perspective.

Introduction

The IDI Strategic Plan 2007-2012 introduced a shift of emphasis from mainly training to a broader capacity building approach. In other words, from the development of “people” to the development of “people, processes and products”. To fulfil its goals and objectives, the IDI delivers needs based programmes at the trans-regional, regional and sub-regional level that incorporate new programme design and delivery mechanisms with a comprehensive capacity building perspective. Further, the shift of focus has led to the development of guides and handbooks on different topics relevant to our target Supreme Audit Institutions (SAIs). This article presents some of these new developments; two handbooks and a practice guide and also two trans-regional programmes that will involve some SAIs from EUROSAI.

Learning for impact – A Practice Guide for SAIs

SAIs are knowledge-based organisations. Consequently, the learning aspect of professional staff development has always been a critical success factor. The IDI has developed “Learning for Impact – A Practice Guide for SAIs” to explore the principles and practices for implementing effective learning strategies that are not restricted to training, but look at the broader concept of learning. The practice guide focuses on learning at both the individual and the organisational level since a combination of these will strengthen the SAI’s capabilities, and thus, enable it to make the desired impact.

The practice guide is divided into seven chapters which discusses the SAI as a learning organisation and runs through the learning process in an organisation, from the planning to the evaluation phase.

The Handbook on Quality Assurance in Financial Auditing was developed to support SAIs in setting up and implementing Quality Management Systems (QMS) in financial auditing.
financial auditing. The handbook was developed as part of the IDI/ASOSAI Quality Assurance (QA) Programme held in 2007-2008, and it explores the QA process both at the institutional level and at the financial audit level. It includes templates, checklists and samples to provide practical guidance and tools to assist the SAIs in implementing comprehensive QA processes. These have been adapted from various sources and follow international good practice. Further, all relevant International Standards of Supreme Audit Institutions (ISSAIs) and the standards of the International Federation of Accountants (IFAC) have been used when developing the handbook.

The IDI believes all SAIs would benefit from implementing the core elements of this handbook. However, prior to doing so, certain customisation may be necessary to suit each SAI’s unique needs. During the QA Programme in ASOSAI, all participating SAIs adapted the generic handbook to the different environments of their SAIs. The course-ware developed during this programme will facilitate the adaptation of the handbook and is available on request, for use by SAIs and INTOSAI regions.

IDI Strategic Planning Handbook

The Strategic Planning Handbook was created to capitalize on the experiences the IDI gained through the deployment of the strategic planning model which was developed and piloted in cooperation with AFROSAI-E and also the experiences gained while assisting the CAROSAI region in developing its’ first strategic plan. The main purpose of this handbook is to help SAIs to develop strategic thinking and to assist them in the development and implementation of a strategic plan.

Many developing SAIs and regional bodies in the INTOSAI community are still in need of support in strengthening their strategic planning capabilities. The handbook has been written mainly for those SAIs that would be taking up strategic planning for the first time. Hopefully, the content of this handbook will also be useful for other SAIs and INTOSAI bodies. It explains the strategic development framework of an SAI and takes the reader through each stage of the strategic planning process, providing simple, user friendly guidance and a practical strategic planning model.
Finally, it discusses the implementation, monitoring and evaluation of the strategic plan in the SAI.

**Trans-regional Programme on Public Debt Audit 2008-2011**

Supreme Audit Institutions are increasingly requesting capacity development in public debt audit. In view of the relevance and importance of this topic in the INTOSAI community, the IDI has decided to undertake a Trans-regional Capacity Building Programme in Public Debt Audit (PDA).

The main objective of this programme is to enhance professional and organisational capacity of target SAIs in public debt audit. Given the diversity of experience and development in this area, the programme will address both the financial/compliance audit approach and the performance audit approach to public debt audit. It will be delivered in cooperation with the Debt Management Programme (DMFAS) of the United Nations Conference on Trade and Development (UNCTAD), the United Nations Institute for Training and Research (UNITAR) and the INTOSAI Working Group on Public Debt (WGPD). The programme will include online training on public debt audit, adaptation of INTOSAI guidance at SAI level and pilot audits on public debt. It will also enable SAIs to adapt public debt manuals that are aligned with international best practice.

28 SAIs from AFROSAl-E, AFROSAl-F/CREFIFAF, ARABOSAI, ASOSAl, CAROSAI, EUROSAl and SPASAl have been selected to take part in this programme, which will be delivered in French and English. The following SAIs from EUROSAl will take part in the programme: Albania, Lithuania, Macedonia, Moldova, Romania and Ukraine.

By the end of this programme all participating SAIs will have teams trained in conducting public debt audits, one public debt audit conducted in accordance with INTOSAI guidance and a PDA manual based on INTOSAI guidance.

**Trans-regional Environmental Auditing Programme**

The IDI will work together with the INTOSAI Working Group on Environmental Auditing to deliver a trans-regional programme on cooperative environmental audit. The programme will be initiated in the second half of 2009 with a strategic planning meeting to collaboratively determine the audit topic, ensure a relevant and feasible programme design, obtain commitment from stakeholders and define roles and responsibilities.

Selected audit teams from four English-speaking regions, AFROSAl-E, ASOSAl, CAROSAl and EUROSAl, will be invited to take part in this programme.

The handbooks and practice guide are available to SAIs, INTOSAI regions and other INTOSAI bodies upon request to the IDI (idi@idi.no or + 47 21 54 08 50 (fax)).

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Topicality of the Declarations of Lima and Mexico: the independence of SAIs as a guarantee of democratic States