THE STRENGTHENING OF EXTERNAL PUBLIC CONTROL: Guarantee for Financial Sustainability and Good Governance

EUROSAI STRATEGIC PLAN 2011-2017
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ACRONYMS

AFROSAI African Organisation of Supreme Audit Institutions
ARABOSAI Arab Organisation of Supreme Audit Institutions
ASOSAI Asian Organisation of Supreme Audit Institutions
CAROSAI Caribbean Organisation of Supreme Audit Institutions
CBC INTOSAI Capacity Building Committee
CIS Commonwealth of Independent States
ESP EUROSAI Strategic Plan
EU European Union
EUROSAI European Organisation of Supreme Audit Institutions
GT Goal Team
IDI INTOSAI Development Initiative
IEA International Energy Agency
INCOSAI Congress of INTOSAI
INTOSAI GOV INTOSAI Guidance for Good Governance
INTOSAI International Organisation of Supreme Audit Institutions
ISSAIS International Standards of Supreme Audit Institutions
ITWG Information Technologies Working Group
OLACEFS Organisation of Latin American and Caribbean Supreme Audit Institutions
PASAI Pacific Association of Supreme Audit Institutions
PSC INTOSAI Professional Standards Committee
SAI Supreme Audit Institution
UNEP United Nations Environment Programme
UN United Nations
WGEA Working Group of Environmental Auditing
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Dear colleagues,

True to its annual date, the EUROSAI Magazine once more offers us a suitable framework for the communication and sharing of experiences among both members and non-members of the Organisation. This occasion is the first in which I have had the opportunity to use this vehicle of communication for addressing you all as Secretary General of EUROSAI, after my appointment as President of the Spanish Court of Audit last year.

I would first of all like to take the opportunity to express my most sincere acknowledgement and my profound gratitude to Manuel Núñez Pérez, the previous Secretary General of EUROSAI and President of the Spanish Court of Audit, for his untiring work at the head of the Secretariat over the past four years. His initiatives, his willingness and his dedication to the Organisation represent a model when it comes to taking over as Secretary General. I would also like to make special mention of María José de la Fuente y de la Calle for her invaluable dedication, both professional and personal, to the Secretariat up to 2012. Over the past 10 years she has shown an unsurpassable level of commitment and effort to the Organisation, thereby contributing to the proper functioning of EUROSAI. We in the Secretariat thank her for her valuable work and we wish her every success in the new tasks and responsibilities facing her as Member of the Court of Audit.

In 2012 the Goal Teams set up by the Strategic Plan 2011-2017 approved in the VIII EUROSAI Congress have carried out intense activity, holding various plenary meetings in order to make firm progress in the effective implementation of that Plan and in attaining the Strategic Objectives defined in it, and we can already see the splendid result obtained as the outcome of that effort. Likewise, the various working groups and taskforces of EUROSAI have also made solid progress in the implementation of the work programmes for 2011-2014, which were presented to the VIII Congress, tackling the continuation or completion of activities in progress and starting up new initiatives.

During the past year EUROSAI has continued to intensify cooperation and sharing of experiences with other Regional Groups of INTOSAI with which solid ties exist, especially via the VII EUROSAI-OLACEFS Conference held in Tiflis (Georgia) in September under the theme “Good governance in the public sector. Role of the SAI”. In the year which we are now starting, this path of international cooperation is going to be furthered by means of holding the IV EUROSAI-ARABOSAI Conference, which will be taking place in Azerbaijan in April 2013 and will be focusing on the main theme “Modern Challenges for SAIs’ Capacity Building”.

This year, the main theme chosen for the “Reports and Studies” Section of the Magazine has been “The strengthening of external public control: guarantee for financial sustainability and good governance”. I consider this to be a subject of great and topical interest, constituting a preoccupation and challenge for the Institutions of external control, both within the framework of our Organisation and within that of INTOSAI, and that it will undoubtedly be present in the debates that are going to be generated around the themes which will be discussed during the XXI INCOSAI, due to take place in Beijing in October 2013.

I would not wish to end without expressing the willingness of this EUROSAI Secretariat to make itself available to all its members, and also special gratitude to those who have collaborated with their contributions to this issue of the Magazine, making its publication possible. I also want to offer this meeting place to all those wishing to contribute to this joint project, enabling it to act as a vehicle for information and sharing of experiences among the members of our Organisation.

Ramón Álvarez de Miranda
President of the Spanish Court of Audit
Secretary General of EUROSAI
Mr Ramón Álvarez de Miranda was appointed President of Spanish Court of Audit by HM the King, with a three-year term, on 30 July 2012.

As President of the Spanish Court of Audit, he has also taken over, from Mr Manuel Núñez-Pérez, as Secretary General of EUROSAI.

The new President of Court of Audit of Spain holds a degree in Economics and Business Studies from Universidad Complutense de Madrid and he is a chartered accountant and member of the Official Registry of Accounts Auditors. He was also a member of the Spanish Parliament for several years and worked in the economic studies department at Urquijo Bank. He has contributed with articles in several technical publications and has sat on the Public Sector Administration and Accounting Commission of the AECA (Spanish Association of Business Administration and Accounting).

Mr Álvarez de Miranda became an officer of the Spanish Court of Audit in 1986 and has held various positions at said establishment throughout his professional career. In 2001, he was elected Member of the Institution by the Spanish Parliament, being entrusted with the coordination of the Department for Auditing Local Entities. In July 2012, he was re-appointed as a Member of the Court of Audit by the Spanish Parliament for a second nine-year term.
The XXXIX Meeting of the EUROSAI Governing Board (GB) took place in Ankara (Turkey) on 28 May 2012, under the Chair of the EUROSAI President and hosted by the Turkish SAI. The main discussions and agreements taken referred to the following issues:

1. The GB took note of the 2011-2012 EUROSAI Activity Report, the 2011 EUROSAI Financial Report, and the 2011 Report of the EUROSAI Auditors, which stated that financial statements provided a true and fair view of the EUROSAI financial situation. 2011 was the last year covered by the Budget 2009-2011, approved at the VII Congress, amounting the execution of the budget along the tri-annual budgetary period to 98.6% of the total.

2. The GB was provided with information on the current developments and further steps to be given by the INTOSAI community in the light of the 2011 UN Resolution on “Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions”. An overview of the results of the EUROSAI annual survey for monitoring the actions taken by its members in order to strengthen external public control and SAIs independence was also reported, resulting that, at least 50% of them have made progress in this line.

3. In the framework of the implementation of the EUROSAI Strategic Plan, Goal Teams 1 (Chair: SAI France), 2 (Chair: SAI Germany), 3 (Chair: SAI Czech Republic) and 4 (Chair: SAI Portugal) presented their annual reports. An overall report on the implementation of the Plan, including an evaluation of cross-cutting issues, was also presented, resulting 99% of the tasks executed by Goal Teams as planned. The GB approved the Terms of Reference and operational plans of each Goal Team, as well as the document “Planning, Monitoring and Reporting Requirements”, aimed at guiding Goal Teams’ action. All these papers and materials are available on the EUROSAI website, under the item “Strategic Planning”.

4. The GB approved the mock up and the key features of the new EUROSAI website, which will be professionally designed and implemented under the coordination of the EUROSAI Secretariat.

5. Several issues were discussed by the GB under the heading “EUROSAI cooperation”:

   ■ Cooperation with INTOSAI, its Regional Working Groups, and external partners:

   • Fluent cooperation of EUROSAI with INTOSAI is developed through their Presidencies and General Secretariats. EUROSAI and INTOSAI Committees, Subcommittees, Goal Teams, Working Groups and Task Forces collaborate in their respective framework. A relevant interaction is also developed in the context of the INTOSAI-Donor Cooperation.

   • Cooperation with INTOSAI Regional Groups:
— The VII EUROSAI-OLACEFS Conference took place in Tbilisi (Georgia) on 17-19 September 2012, under the theme “Good governance in public sector: Role of the SAIs”. This theme was developed in two sub-themes: “Enhancing stakeholders’ confidence: auditing management, integrity, accountability and the tone at the top quality” and “Public finance management reform: trends and lessons learned”.

— The IV EUROSAI-ARABOSAI Conference will be held in Azerbaijan in 2013. Preparations have already started.

— The GB supported ASOSAI GB’s offer for the SAI of the Russian Federation to host the II EUROSAI-ASOSAI Conference in 2014. The date for the Conference is still to be determined avoiding it to interfere the IX EUROSAI Congress. The GB also endorsed ASOSAI’s proposal for widening cooperation activities by launching it at technical level in the field of capacity building.

— The GB agreed to explore ways of cooperation with AFROSAI, entrusting the EUROSAI Presidency and Secretariat actions aimed at approaching this goal.

— The GB supported to consider further ways and formulas for promoting cooperation with INTOSAI Regional Groups, at strategic level (by Heads of SAIs) and at technical level (among auditors). The Secretary General was entrusted with exploring new opportunities.

- Cooperation with IDI:

  - Cooperation with IDI remains a priority. The GB was reported on IDI’s activities and projects, with special attention to those of specific interest for EUROSAI. In this context, the Trans-regional IDI Programme on ISSAI Implementation 2012-2015 was presented, as well as an approach was given to the progress of the INTOSAI-Donor Cooperation, whose Secretariat is hosted by IDI, and mainly aimed this year at matching proposals for SAI capacity development initiatives with donors and SAI providers.

- Cooperation with external partners:

  - The GB was informed on the cooperation developed under practical basis with the European Confederation of Institutes of Internal Audit (ECIIA), developed mainly through Goal Team 2, with the support of the EUROSAI
Secretariat, in the area of the INTOSAI Gov of common interest.

6. The GB agreed on the following financial issues:

- Developing “EUROSAI Financial Rules”, compiling existing rules displayed in diverse regulations and agreements and adapting and developing the necessary rules in accordance with the needs of the EUROSAI Strategic Plan. A draft will be presented to the GB by the Secretariat, with the support of Goal Team 4, in 2013.

- The GB approved granting the following financial contributions from the EUROSAI budget:
  - Funding technical equipment and conference room for the Seminar “Application of Software Tools in Audit” (Prague, September 2012).
  - Granting a commitment authorisation for funds for financing the new EUROSAI website.

7. The GB agreed on proposing the SAIs of the Russian Federation and Poland as the future representatives of EUROSAI in the INTOSAI GB, to be renewed at the XXI INCOSAI (China, October 2013).

8. The GB approved “Innovation” as the theme for the IX EUROSAI Congress. This theme will be approached from three perspectives: Innovation in auditing methods and techniques, in SAI’s organisation and in public services and government. The Dutch SAI presented some initiatives which will provide the Congress with an interactive and innovative atmosphere.

9. Information was provided on the key actions developed for implementing the INTOSAI 2011-2016 Strategic Plan, in what concerns each of the Strategic Goals: Professional Standards (raising awareness and promoting implementation of ISSAIs and INTOSAI Gov), Capacity Building (strengthening the SAIs supply side of capacity building and seeking a better coordination of the actions developed), Knowledge Sharing (INTOSAI Working Groups/Task Forces information, effective reinforcing INTOSAI communication, fostering professional networking, promoting partnerships) and Model Organisation (progress of F&A Task Force and INTOSAI-Donor Cooperation). An updating was also made in relation to the XXI INCOSAI. The 22nd UN/INTOSAI Symposium was announced to be held in Vienna on 5-7 March 2013.

10. The GB supported the offer of the Turkish SAI of hosting the X EUROSAI Congress, in 2017.

11. The GB agreed to hold its next ordinary meeting in Brussels on 30 May 2013.
VII EUROSAI–OLACEFS CONFERENCE.
GOOD GOVERNANCE IN PUBLIC SECTOR: ROLE OF SAIS

The SAI of Georgia

Overview

On 17-19th September the VII EUROSAI–OLACEFS conference was held in Tbilisi, Georgia. The theme of the Conference was “Good Governance in Public Sector: Role of SAIs”. The topic was aimed at addressing the increasing demand of the citizens for the better public administration and public funds management in the times of financial hardship for the governments and highlighting the possibilities for SAIs to contribute to better accountability, transparency and efficiency of the government activities. Under the heading there were 2 sub-topics that are pivotal for the SAI for effectively carrying out its functions: Enhancing Management Integrity, Accountability and Tone at the Top and facilitating Public Financial Management Reform.

The conference was succession of the cooperation started since 2000 between the EUROSAI and OLACEFS within the INTOSAI community that envisages sharing experience and best practices between its members and various Working Groups on important public audit issues for continuous improvement of quality of SAI work.

The event coincided with the 20th Anniversary of the State Audit Office of Georgia and hosting the event gave SAI the opportunity to share its own experiences and challenges in establishing the State Audit Office as an important player of Public Financial Management with the participants.


**Session I—Enhancing Stakeholder Confidence: Auditing Management Integrity, Accountability and “Tone at the Top”**

Credibility is a key factor for Supreme Audit Institutions and it can be achieved by enhancing accountability, transparency, integrity and tone at the top within these organizations. This session was presided by the SAI of Portugal as president of EUROSAI.

As it was stated by the EUROSAI members in the last Congress, held in Lisbon, “transparency and accountability are both democratic values and are fundamental for good governance. Accountability is a broad concept including a wide range of responsibilities for public managers, such as professional and management skills, compliance with financial and other regulations, meeting performance expectations and ethical conduct”.

SAI of Portugal in its presentation highlighted the importance of having methodological base for ensuring ethical government that consists of audit manual describing strategies and rules for ethical behavior. ISSAI 30, the INTOSAI Code of Ethics, is also a constant reference for auditors. But provisions for the ethical behavior is not enough, so SAIs should look into the implementation measures as well. The SAI of Portugal looks at 3 aspects of ensuring the ethical behavior:

- Guidance.
- Management.
- Control.

For each of these certain actions are needed: guidance can be reinforced by detailed advice for the code of ethics and training, the management should favor ethical behavior of its employees and making ethical criteria for annual performance evaluations. For control

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As it was stated by the EUROSAI members in the last Congress, held in Lisbon, “transparency and accountability are both democratic values and are fundamental for good governance.”
measures, checklists and internal audits have been considered. Following proposals of the Portuguese Presidency, the EUROSAI Governing Board agreed to set up a Task Force to deal with Audit & Ethics, aiming primarily to promote ethical conduct and integrity, both in SAIs and in public organizations. The goal of the EUROSAI Task Force on Audit & Ethics, as ethics in SAIs is concerned, is to reinforce, frame and provide robustness to the management of ethical conduct, with practical and feasible tools that intend to help the institutions in their everyday work.

Spanish Court of Audit presented an interesting case showing the positive contribution the SAI can have on the accountability in public sector. In 2003 the Court of Audit reported to the Spanish Parliament that there were problems regarding the accountability of the Local Public Sector and informed about the possible legal and administrative solutions that could be adopted in order for the Local Entities to render their accounts complete and within the legally established deadlines. In response to this the Information and Communication Technology was introduced that significantly improved the reporting and reviewing activities of the local governments.

The goal of the EUROSAI Task Force on Audit & Ethics, as ethics in SAIs is concerned, is to reinforce, frame and provide robustness to the management of ethical conduct, with practical and feasible tools that intend to help the institutions in their everyday work.

After successfully establishing the electronic reporting system, the Spanish Court of Accounts made the reports and accounts of the local governments publicly available that besides facilitating audit activities, increased transparency and accountability to the citizens.

The Brazilian Court of Accounts presented the recent peer review that has been carried out by the Organization for Economic Cooperation and Development (OECD). The purpose of peer review is to assess the audit of the annual financial statement of the federal government of Brazil. Potential benefits of such reviews among others are:

1. Report prepared by a multilateral institution (OECD) with broad knowledge of planning, budget, finances, accounting, governance, transparency, accountability, and so on.
2. Multidisciplinary team.
3. Peer review performed by various countries.

Session II—Public Finance Management Reform: Trends and Lessons Learned

In order to live up to the high expectations of the society and further reinforce the principles of good governance, many governments are embarking on significant modification of their Public Financial Management Systems. The PFM serves as an overarching framework under which many facets of public financial administration are improved. The PFM concerns such vital issues of public financial administration as budget planning and execution, establishment of public internal controls and internal audit, procurement, accounting and IT systems, treasury, etc. These issues constitute the very core of the public financial management and ultimately, the good governance.

There are a number of similarities in the implementation of the PFM within the EUROSAI, as countries aspire to fully implement common guidelines and best practice regarding the public financial management. Naturally, countries are on different stages of the process, and potential to gain from each other’s experience is

The PFM serves as an overarching framework under which many facets of public financial administration are improved.
1. Recent developments have clearly demonstrated the importance of reasonably planned and executed fiscal policy ensured in mid and long term period. Consequently role of the SAIs work have significantly increased from specific audits to the fiscal discipline and fiscal sustainability issues:

1.1. Debt Management—to increase oversight and performance of in executive and operational public.

1.2. Risk management and vulnerability analysis—enforce and encourage risk assessment and management at agency level and PFM level as a whole.

1.3. Improved reporting framework and increased monitoring & control of external audit function of state agencies and financial institutions.

2. Contribution to PFM reform:

2.1. Legislative initiative by SAI to improve main regulatory PFM framework of the country a comprehensive, clear and implemented legal framework for PFM should be:

• Structured according to the PFM structure in the country.

• With simple and transparent regulations-avoiding redundant bureaucracy.

• Promoting accountability and making the cooperation with the SAO obligatory (e.g. in Hungarian case).

2.2. Performance audit by SAI of PFM reform or reform component to identify systemic deficiencies and respond to them in timely manner.

3. Disseminations of good practices—SAI should identify and disclose not only deficiencies and irregularities found out during the course of audits, but good practices as well, to share knowledge and promote their role as advisor and partner along with evaluator.

4. Guidelines—existence of guidelines solely does not guarantee that the goals envisaged by the guideline would be achieved, as in the case of Public Debt best practices and ISSAI guidelines that have already existed before the financial crisis.

There are a number of similarities in the implementation of the PFM within the EUROSAI, as countries aspire to fully implement common guidelines and best practice regarding the public financial management.
EUROSAI and OLACEFS, gathered at their VII Joint Conference, held in Tbilisi (Georgia) on 17-18 September 2012,

**Recognize:**

- The economic and social environment and citizens’ demands require reforms from States aimed at managing public resources more efficiently, according to principles of accountability, transparency and integrity, thus ensuring fiscal sustainability;

- As stated in the United Nations Resolution A/66/209 of 22 December 2011, SAIs play an important role in promoting the above-mentioned principles. In order for SAIs to contribute to greater accountability of public institutions, it is essential to ensure their independence and the high quality of their work, increasing the confidence of their stakeholders;

- Sound strategies, internal and external communication, ethical requirements, quality control mechanisms and monitoring are key elements for SAIs to attain a “tone at the top” operation. IT developments and peer reviews are valuable instruments for enhancing SAIs’ capacities and their accountability and transparency, thereby increasing the trust of citizens;

- SAIs substantially contribute to good governance in safeguarding and sustaining the efficient control functions developed by parliaments, issuing recommendations aimed at reinforcing public management and providing public bodies and society with information on these matters;

- The practices and experiences of each SAI represent a valuable source of information for the others, so cooperation becomes a masterpiece for improving public management and external audit at global level, taking advantage of international synergies;

**Encourage:**

- Both Organizations to spread these principles within their regional communities and to work together in order to audit and promote greater efficiency, accountability, effectiveness, integrity and transparency in public management for the benefit of citizens;

- Their Members to lead by example, improving the quality of their work and raise awareness of the values and benefits of the SAIs in achieving good governance;

- Both Organizations to intensify cooperation within INTOSAI community, through their diverse levels of decision making and working structures, in order to get the maximum synergies of each other and to achieve the greatest impact from their common action;

- The Presidents and the Secretaries General of EUROSAI and OLACEFS to forward the Statement to the President and Secretary General of INTOSAI, the Presidents and the Secretaries General of the other INTOSAI Regional Working Groups, as well as to other stakeholders.
EUROSAI SEMINAR ON APPLICATION OF SOFTWARE TOOLS IN AUDIT

Prague (The Czech Republic), 18-20 September 2012

The SAI of the Czech Republic

The Supreme Audit Office of the Czech Republic, under the auspices and financial support of EUROSAI, hosted an international Seminar on Application of Software Tools in Audits. The seminar was held in Prague, the Czech Republic from 18 to 20 September 2012. The seminar was officially listed as a EUROSAI Training Event.

The EUROSAI seminar was attended by more than 70 delegates from 26 European Supreme Audit Institutions and from the European Court of Auditors. Representatives from the international organization ASOSAI attended the seminar as observers.

The main topics of the seminar were focused on:

- The purchase, implementation and operation of the Audit Management System (AMS) for managing and evaluating the audits.
- The use of the AMS in practice.
- The use of data processing tools (CAATs) during the audit.

The primary objective of the seminar was to exchange ideas, provide information and share best practice regarding the use of the AMS and data processing tools in audits by comparing positions, methods and results used by participating SAIs in the field of application support of individual audit steps.

Implementing new systems and procedures for the management and control of audits should result in the organization acquiring benefits to audit work by increased effectiveness and efficiency of work processes and standardized audit procedures, facilitating the team work, enhancing the accuracy and timeliness of SAIs’ outcomes. On the other hand, it inevitably requires changes within the organization, places increased demands on staff and often calls for significant financial support. The implementation of a new system or upgrading the current one without sufficient and proper information and care can also cause more damage than benefit.

In an environment of EU financial crisis, SAIs, as with all institutions financed from public money, are facing the challenge to work more effectively and efficiently with fewer resources. To share information and to follow lessons learned contribute to prevent possible mistakes and economize money.

One of the reasons for organizing the event was the call for information in this field which would be discussed in broader and comparative perspective in the international context. Based on the evaluation of the questionnaire on training priorities of the EUROSAI member states which was circulated in 2011 the use of IT technologies in audits was identified as a topic of common interest. In 2011 the Czech Supreme Audit Office therefore decided to organize an international seminar on Application of SW Tools in Audit.
The preparatory team of the SAO drafted a questionnaire in order to collect relevant information about the current position of EUROSAI SAIs on the use of IT to support the audit processes.

The preparatory team of the SAO drafted a questionnaire in order to collect relevant information about the current position of EUROSAI SAIs on the use of IT to support the audit processes. In this phase, the team received valuable inputs from EUROSAI IT Working Group, represented by Mr Kurt Grüter, the Director of Swiss Federal Audit Office and the Chair of IT WG EUROSAI and from the Head of sub-project of ITWG “Information System to Support Audit Process”, Ms Magdalena Cordero Valdavida, the Director of Information and Technologies Department of the European Court of Auditors.

Based on the questionnaire answers, it was found out that half of addressed SAIs currently considers purchasing a new AMS or modifying the existing one.

The high level of respondents’ interest in proposed seminar topics is indicated in the graph below.

More than 70 participants from 26 EUROSAI member countries (Albania, Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, the Czech Republic, Cyprus, Estonia, France, Georgia, Germany, Hungary, Latvia, Lithuania, the former Yugoslav Republic of Macedonia, Malta, Republic of Moldova, the Netherlands, Norway, Poland, Romania, Russian Federation, Slovakia, Switzerland and Turkey), European Court of Auditors and representatives from ASOSAI (India, the Republic of Korea) attended the Seminar.

The participants delivered 21 presentations during the two and a half days of the Seminar.

The Seminar provided opportunities for exchange of experience and information related to recent developments in the area of the AMS and computer assisted audit tools and techniques and for in-depth discussions. It was organized as a series of panel sessions

Note: The scale: 1 refers to not interested, 5 refers to very interested
related to the main topics with each presentation followed by a discussion. The participants delivered 21 presentations during the two and a half days of the Seminar.

The first two sessions were devoted to the procurement, implementation and operation of the AMS for managing and evaluating the audits in theory and in practice. The third part was focused on use of computer assisted audit tools and techniques. The contributors represented a wide range of professionals—managers responsible for implementation of systems, administrators, developers and auditors as the end users of the AMS.

The participants learned from presentations focused on particular audit management systems used by different SAIs mainly that:

- To achieve an integrated environment sufficient technical infrastructure is necessary.

- Technologies which have not been tried and tested and solutions with functionalities which do not comply with users requirements are not recommended.

- The relationship/proportion between user oriented functionalities, maintenance and, user acceptance and costs has to be balanced.

- The due implementation of the AMS increases the audit effectiveness and strengthen the audit management.

- The use of AMS simplifies administration of roles and rights and makes it flexible.

- The proper use, sharing and managing information eliminates time consuming procedures not providing any added value and contributes to timeliness and correctness of audit reports.

- Home-made tools based on standard products (e.g. MS SharePoint) tailored to particular SAI’s needs contributes to cost—savings, reduces dependence towards external companies, offers a full development platform.

- To tag information with metadata facilitate searching, extracting and retrieving documents and document sets.

- The social intranet has already become the tool for sharing knowledge and makes them available.

During the third panel session participants were familiarized with:

- Possibilities of CaseWare working papers used for auditing of financial statements.

- Methods for collecting the data in electronic form by using CAATs.

- Implementation of the IDEA for gathering the evidence in audit work including practical examples.

- Functionalities of SW tool used for statistical data analysis in performance auditing.

All the presentations and other seminar papers are available on the website of the Supreme Audit Office:


The seminar was organised with a financial support of the EUROSAI. The Supreme Audit Office applied for a financial contribution.
Mr Massimo Magnini, a representative of EUROSAI IT Working Group

“The participants had the opportunity to follow not only speeches but also several online demos and have demonstrated a large interest concerning self’s developed Audit management Systems, particularly for the different approaches concerning the Risk Management module and for the customized features. It is considered as very important that audit planning is automatically based on risk analysis and system is designed to track the action taken on the recommendations.

The presentations indicate that different SAIs are at different levels of development which range from automating a few processes to a fully integrated system; these systems have been developed using different platforms and methods (SharePoint seems to be one of the most used).

These results can also constitute a valuable input to the activities of EUROSAI ITWG.”

Mr Emanuele Fossati, IT Service Manager, European Court of Auditors

“Being involved ourselves in a major project about the modernisation of our Audit Tools, we found all the presentations very interesting (especially where live systems were shown) and thanks to the coffee breaks dedicated to networking, we came home with new ideas to be explored. We were mainly interested in seeing other Courts’ different approaches to Audit Document Management on one side, and Audit Process Management on the other: we could see good examples of very different strategies, mainly depending on the specific type of SAI’s management and institutional objectives. We wanted to see if there was a “best in class” approach, but we understood that everybody heavily tailored their systems. Another very rich area that captured our attention concerned the various experiences in CAAT, mainly “automated” data gathering and statistical analysis, because it could make auditors work more efficient and effective.”

Mr Darius Šalalis, Principal Auditor, National Audit Office of Lithuania—The seminar was surprisingly interesting and informative

“At the first glance more than 20 presentations during such a short period of time looked as overload of the seminar without giving a chance to know information systems of sister-institutions as well as to learn the principles and goals of their creation. The reality was completely converse to the first impression.
Each presentation had plenty of room for those who were interested in the topic and willing to discuss and question various aspects of audit management as well as supreme audit office activity supervision information systems presented by each speaker. Discussions during the seminar and nonstop debates during the breaks showed that almost all the supreme audit offices face the same challenges, i.e. ambitions to digitalize audit process and all its supporting activities in the office. The seminar gave a chance to make a step all together towards realization of this idea instead of searching the ways individually and making mistakes that could be avoided or reduced when the approach is discussed and “touched” in mutual assistance manner.

National Audit Office of Lithuania recognizes the outcome of the seminar as a constructive contribution to the information system renovation process in the Office.”

Mr Paweł Banaś, Mr Wiesław Karliński, Mr Piotr Prokopczyk, the Supreme Audit Office of Poland—Added Value of the Seminar

“From perspective of the representatives from the Polish Supreme Audit Office, the Prague Seminar added most value in the following areas:

Characteristics and features of a well formed IT system supporting audit activities. Moreover, one of the presentations appeared to confirm the tendency of still stronger position of agile methodologies in IT investments, which raised the question whether they are going to dominate the ‘SAI computerization industry’ next years?

Analysis of typical SAI processes almost ready to use by others.

Comparison of TeamMate and CaseWare advantages versus weaknesses.

Use CAAT software (IDEA) examples in financial audit (tax arrears) and compliance audit (unemployment benefits). Such an idea calls for a deep consideration within the EUROSAI family to think about a possibility of creating an open database of such examples. The IT Working Group is being developing a project (www.egov.nik.gov.pl) that would be ready to cooperate”.

Mr Joo Hee Kim, Senior Research Fellow, ASOSAI observer

“Sharing experience of outsourcing and in-house development of the AMS at different levels and various platforms would reduce the possibility of errors in specific environments. In Korean case, information accessibility and functionality improvements were not easy to reach. Bearing in mind limitations of budget and personnel without affecting the efficiency and effectiveness of the audit, I appreciated watching cases of in-house development. Furthermore, the comparison of using metadata in different SAI’s was valuable.

I learned a lot from productive discussions where many questions and remarks were debated.

I would appreciate the continuation of such kind of knowledge sharing and possible active cooperation in this field in future.

I would like to thank EUROSAI for giving me the opportunity to attend this seminar in a role of observer and special thanks for the hospitality of the Supreme Audit Office of Czech Republic”.

The seminar confirmed that the application of software tools in audit is a challenging issue which encouraged the participants to consider new possibilities of mutual cooperation in this area in future.”
EUROSAI ACTIVITIES 2012

- 2nd JOINT MEETING TASK GROUPS “TERMS OF REFERENCE” and “PLANNING, MONITORING AND REPORTING REQUIREMENTS” (Goal Team 4), Lisbon (Portugal), 17 January 2012.
- 2nd MEETING TASK GROUP “REVIEW EUROSAI WEBSITE”, Lisbon (Portugal), 17 January.
- 2nd PLENARY MEETING GOAL TEAM 4, Lisbon (Portugal), 17 and 18 January.
- 2nd PLENARY MEETING GOAL TEAM 1, Paris (France), 14 February.
- MEETING OF THE TASK GROUP ON “EUROSAI COMMUNICATION POLICY” (Goal Team 4), Warsaw (Poland), 8 and 9 March.
- IV MEETING OF THE EUROSAI TASK FORCE ON THE AUDIT OF FUNDS ALLOCATED TO DISASTERS AND CATASTROPHES, Wroclaw (Poland), 21 to 23 March.
- 3rd PLENARY MEETING GOAL TEAM 4, The Hague (The Netherlands), 23 and 24 April.
- KICK-OFF MEETING EUROSAI TASK FORCE “AUDIT & ETHICS”, Lisbon (Portugal), 7 and 8 May.
- SEMINAR “SUSTAINABLE FISHERIES AND FOREST MANAGEMENT”, Oslo (Norway), 15 and 16 May.
- XXXIX EUROSAI GOVERNING BOARD MEETING, Ankara (Turkey), 28 May.
- IT AUDIT SELF-ASSESSMENT (ITASA) WORKSHOP (EUROSAI IT Working Group), Vienna (Austria), 11 and 12 June.
- IT SELF-ASSESSMENT (ITSA) WORKSHOP (EUROSAI IT Working Group), Vienna (Austria), 20 to 22 June.
- IT SELF-ASSESSMENT (ITSA) WORKSHOP (EUROSAI IT Working Group), Amsterdam (Netherlands), 26 to 28 June.
- IT SELF-ASSESSMENT (ITSA) WORKSHOP (EUROSAI IT Working Group), Warsaw (Poland), 18 to 20 July.
- VII CONFERENCE EUROSAI-OLACEFS, Tbilisi (Georgia), 17-19 September.
- EUROSAI SEMINAR “APPLICATION OF SOFTWARE TOOLS IN AUDITS”, Prague (Czech Republic), 18-20 September.
- IT AUDIT SELF-ASSESSMENT (ITASA) WORKSHOP (EUROSAI IT Working Group), Amsterdam (Netherlands), 15 to 19 October.
- SEMINAR OF THE EUROSAI WORKING GROUP ON ENVIRONMENTAL AUDIT ON “AUDITING FORESTRY” (Cyprus), 22 October.
- PLENARY MEETING OF THE EUROSAI WORKING GROUP ON ENVIRONMENTAL AUDIT (sustainability, and application and audit of data sources in environmental audit), (Cyprus), 23 to 25 October.
- IT SELF-ASSESSMENT (ITSA) WORKSHOP (EUROSAI IT Working Group), European Court of Auditors (Luxembourg), 23 to 25 October.
- IT SELF-ASSESSMENT (ITSA) WORKSHOP (EUROSAI IT Working Group), Ankara (Turkey), 5 to 9 November.
- MEETING OF PROJECT TEAM “INFORMATION SYSTEMS TO SUPPORT THE AUDIT PROCESS (ISSAP)” (EUROSAI IT Working Group), Luxembourg, 6 November.
- 3rd PLENARY MEETING GOAL TEAM 1, Paris (France), 8 and 9 November.
- 2nd PLENARY MEETING GOAL TEAM 2, Potsdam (Germany), 8 and 9 November.
- MEETING OF PROJECT TEAM “IT AUDIT SELF-ASSESSMENT (ITSA)” (EUROSAI IT Working Group), Bern (Switzerland), 13 November.
- MEETING OF PROJECT TEAM “E-GOVERNMENT” (EUROSAI IT Working Group), Warsaw (Poland), 15 and 16 November.
- MEETING OF PROJECT TEAM “IT SELF-ASSESSMENT (ITSA)” (EUROSAI IT Working Group), Warsaw (Poland), 4 and 5 December.
- MEETING OF PROJECT TEAM “IT SELF-ASSESSMENT (ITSA)” (EUROSAI IT Working Group), Bern (Switzerland), 11 December.
ADVANCE OF EUROSAI ACTIVITIES 2013

- **PLENARY MEETING EUROSAI IT WORKING GROUP**, Paris (France), 18 and 19 February
- **TRAINING COURSE EUROSAI IT WORKING GROUP**, Paris (France), 20 to 22 February
- **4th PLENARY MEETING GOAL TEAM 1**, Paris (France), 18 March
- **2nd MEETING OF THE TASK FORCE “AUDIT & ETHICS”** (Croatia), first half of April
- **IV EUROSAI-ARABOSAI CONFERENCE**, Baku (Azerbaijan), 16-18 April
- **4th PLENARY MEETING GOAL TEAM 4**, Madrid (Spain), 25 and 26 April
- **XL EUROSAI GOVERNING BOARD MEETING**, Brussels (Belgium), 30 May
- **1st SEMINAR TASK FORCE “AUDIT & ETHICS”: “Auditing Ethics”**, last quarter of the year
- **XXI INCOSAI**, Beijing (China), 22 to 27 October

APPOINTMENTS IN THE EUROSAI SAIS IN 2012

- **Mr. Ramón Álvarez de Miranda**, elected new President of the Spanish Court of Audit and Secretary General of EUROSAI.
- **Ms. Lone Strøm**, elected new Auditor General of Denmark.
- **Mr. Lasha Tordia**, designed new Auditor General of the State Audit Office of Georgia.
- **Mr. Seamus McCarthy**, new Comptroller and Auditor General of Ireland.
- **Mr. Joseph H. Shapira**, elected new Comptroller and Ombudsman of the State of Israel.
- **Mr. Aslan Yespulayevich Mussin**, elected new President of the SAI of Kazakhstan.
- **Mr. Radoslav Sretenovic**, re-elected President of the SAI of Serbia.
- **Mr. Roman Maguta**, appointed new Chairman of the SAI of Ukraine.
INFORMATION ON EU
The 2012 annual meeting of the Contact Committee of the Heads of the EU Supreme Audit Institutions (SAIs) and of the European Court of Auditors (ECA) was hosted by the Tribunal de Contas of Portugal, in Estoril, on 18 and 19 October 2012. The meeting, chaired by the President of Tribunal de Contas, Mr. Guilherme d’Oliveira Martins, was attended by 93 delegates from Member States’ SAIs and the ECA, as well as the SAIs of Croatia (acceding country), four candidate countries (the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey) and representatives of IDI-INTOSAI (Norway) and SIGMA (OECD).

The first theme of the meeting was addressed through a Seminar: Challenges for SAIs in preparing for the next EU financial framework period.

The Seminar had the participation of a distinguished guest speaker, the European Commissioner Mr. Algirdas Semeta, responsible for Taxation and Customs Union, Audit and Anti-Fraud. Representatives of several national EU SAIs and the ECA presented their viewpoints and current experiences.

It was recognized that the large and important “package” of legislative proposals regarding the next financial framework period will significantly alter the financial management landscape of the EU.

The ECA and the national EU SAIs, as external auditors of the EU and its Member States, will be affected by the review of the existing arrangements for EU spending and funding launched on the occasion of the multiannual financial framework (MFF) 2014-2020. The Contact Committee has been made aware of some of the challenges raised by this process and has analyzed the proposals and their potential impact on the work of its members, as well as on the sound management of EU and national finances—the discussions on the revision of the Financial Regulation at the Contact Committee meetings held in 2010 and 2011 have helped to clarify the subject.

The new Financial Regulation will reinforce the accountability of Member States. New legislative acts of the EU concern fundamental matters such as strengthening budgetary surveillance and economic policies surveillance of Member States; enforcing the correction of excessive deficits and macroeconomic imbalances and setting requirements for their fiscal framework.

SAIs of the Member States of the EU and the ECA aim at contributing to better systems and to enhancing the effectiveness of the national use of Community funds, as well as to the new economic and fiscal governance measures of the European Union, and are concerned with an independent and professional view on how to improve the quality of spending, including both national and EU contributions in co-financed projects; therefore, the importance of initiatives of cooperation between national SAIs and the ECA with regard to EU funds must be highlighted.

In the context of the second theme, Latest developments in responding to the financial crisis and SAIs’ experience of related audits, the results of some specific analysis requested by the Contact Committee were delivered: the report of the Task Force to explore possibilities for cooperation with Eurostat and national statistical institutions; the state of play of the joint initiative of the Euro-area SAIs regarding the external audit of the...
European Stability Mechanism; the report of the Working Group to undertake a pilot study to identify possible public audit deficits in the area of new arrangements; the progress report of the Fiscal Policy Audit Network.

Moreover, some SAIss presented their viewpoints and experiences, mainly in the framework of the financial crisis, considering recent developments regarding financial audit and the role of SAIss; implications on accounting standards and the suitability of IPSAS for EU Member States; the budgetary rules and the income side of the State Budget.

After the discussions of both themes I and II, the intervention of another notable guest speaker must be registered: Governor of Banco de Portugal, Mr. Carlos da Silva Costa, who delivered the closing conference of the thematic part of the Seminar.

The debates on the above mentioned themes gave rise to the adoption of six resolutions on the following subjects: 1. Network on Europe 2020 Strategy audit; 2. Supreme Audit Institutions’ cooperation with Eurostat and National Statistical Institutions; 3. The results of the pilot study on the Access of Supreme Audit Institutions to the main financial supervisors in EU Member States; 4. The 2013 future activities of the EU SAI Contact Committee; 5. Public accounting standards; 6. The tasks and roles of the external public audit in the light of recent developments in the European Union economic governance.

In the meeting there was also a presentation by the Secretary General of INTOSAI and President of the SAI of Austria on the significant Resolution A/66/209 of the General Assembly of the United Nations: “Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening Supreme Audit Institutions”.

The President and the Secretary General of EUROSAI referred to the current status of EUROSAI activities.

The Network of SAIss of Candidate and Potential Candidate Countries and the ECA also delivered information on its activities.

The meeting of October 2013 of the Contact Committee meeting will be held in Vilnius, hosted by the SAI of Lithuania and chaired by the Auditor General Ms Giedrė Švedienė.
On 6 November 2012 the European Court of Auditors published its annual reports on the implementation of the EU budget and the European Development Funds for the 2011 financial year.

The objective of the annual reports is to provide findings and conclusions that help the European Parliament, Council and citizens to assess the quality of EU financial management, and to make useful recommendations for improvement.

Central to the 2011 annual reports are the 18th annual statements of assurance (or “DAS”) on the reliability of the EU accounts and the regularity of the transactions underlying them. Moreover, the 2011 annual report on the implementation of the EU budget includes two new chapters in order to provide more focused results on agriculture and cohesion, and it aids comparison between different areas and years by including comparative figures related to 2010 for the estimated error rates. It also brings more insight into EU performance management and measurement following the well-received introduction of this subject in the 2010 annual report.

In 2011, the EU spent €129.4 billion, with around 80% on agriculture and cohesion policies, where the task of implementing the EU budget is shared by the Commission and EU Member States.

As regards the reliability of the EU accounts, the ECA concluded that the 2011 consolidated accounts of the EU present fairly, in all material respects, the financial position of the Union as of 31 December 2011, and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of the Financial Regulation and the accounting rules adopted by the Commission’s accounting officer.

As for the regularity of transactions, in the ECA’s opinion, EU revenue and commitments underlying the 2011 accounts were legal and regular in all material respects. In contrast, the ECA concluded that the examined supervisory and control systems were partially effective in ensuring the legality and regularity of payments underlying the 2011 accounts and that those payments were materially affected by error. The ECA’s estimate for the most likely error rate for payments underlying the 2011 accounts was 3.9% for the EU budget as a whole, which means that the level of error remained similar to 2010 when it was 3.7%.

The ECA’s overall opinion on payments is supported by specific assessments of the policy groups. All individually assessed areas of EU spending were affected by material error with the exception of administrative and other expenditure (€9.8 billion) and external relations, aid and enlargement (€6.2 billion), although in the latter area the audited control systems were only partially effective and interim and final payments were affected by material error.

For Agriculture: market and direct support (€43.8 billion) the estimated error rate was 2.9%. Around three quarters of quantifiable errors were “accuracy” errors, with the most frequent being over-declaration by beneficiaries of land area when claiming for EU funds. The majority of errors amount individually to less than 5% of the claim. The effectiveness of the control systems—notably the integrated administration and control system (IACS)—was adversely affected by inaccurate data in the various databases and incorrect administrative treatment of claims by the paying agencies.

Rural development, environment, fisheries and health (€13.9 billion) was the most error prone area of EU spending with an estimated error rate of 7.7% in 2011. The majority of the most likely error rate concerned the eligibility of expenditure for non-area-related measures. In the area of rural development, the audit of the control systems revealed that administrative and on-the-spot
checks were not sufficiently rigorous to mitigate the risk of declaring ineligible expenditure. In the area of maritime affairs and fisheries, the ECA found that unforeseen expenditure resulted from insufficient monitoring of fish catches.

The estimated error rate for policy group Regional policy, energy and transport (€ 34.8 billion) remained high at 6.0 %. The ECA found serious failures to respect public procurement rules. The second most frequent type of error was ineligible payments with projects failing to fulfil the necessary conditions. For 62 % of the transactions affected by error, the ECA considers that sufficient information was available for the Member State authorities to have detected and corrected at least some of the errors prior to certifying the expenditure to the Commission. The ECA’s audits also showed that there was no assurance that financial corrections mechanisms adequately compensated for the detected errors and resolved all material issues at the closure of the operational programmes.

For Employment and social affairs (€ 10.3 billion) the estimated most likely error rate was 2.2 %. The majority of errors detected concerned the reimbursement of ineligible costs. The results of the ECA’s audit indicated weaknesses in the management and control systems established in the Member States, in particular in the first level checks of expenditure. The ECA found that sufficient information was available to Member State authorities for them to have detected and corrected at least some of the errors in 76 % of the ESF transactions affected by error, before certifying the expenditure to the Commission.

Finally, in the policy group Research and other internal policies (€ 10.6 billion) the ECA concluded that the estimated most likely error rate was 3.0 %. The main source of error was the over-declaration of costs by beneficiaries for projects funded by the framework programmes for research and technological development (FPs). Under FP rules, beneficiaries’ cost claims should in certain cases be accompanied by audit certificates from independent audit firms. The control systems assessment of the ECA revealed errors in 81 % of the audited projects that had a positive audit certificate.

In Chapter 10 of the 2011 annual report, the ECA presents its observations on the Commission’s self-assessments of performance as stated in the annual activity reports of the Commission’s directors-general, and highlights some of the main themes arising from the ECA’s 2011 special reports on performance. The Commission’s self-assessment on performance was evolving and represented some welcome improvements on previous years. Nevertheless, ECA performance audits in 2011 identified a lack of good quality needs assessments, weaknesses in the design of programmes which impair reporting on results and impacts, and a need for the Commission to demonstrate EU added value.

In conclusion, and as indicated by the ECA President in his presentations of the Annual Reports to the European Parliament and Council, there have been improvements in EU financial management over the current programming period (2007-2013), but there is still some way to go before it is up to standard in all areas. The fall in the Court’s estimated error rate for the EU budget as a whole under this framework period shows that improving the rules and design of spending schemes from one period to the next does make a difference. Decisions on the legislation governing spending schemes under the next financial framework (2014 to 2020) should consider that reducing the level of irregular payments and improving performance and accountability require simpler spending schemes with clearer objectives, easier to measure results, and more cost-effective control arrangements.

The ECA’s annual reports on the implementation of the 2011 EU budget and European Development Funds can be found on http://eca.europa.eu.
The European Court of Auditors adopted the following special reports in 2012:

• Special Report No 1/2012—Effectiveness of European Union development aid for food security in sub-Saharan Africa.

• Special Report No 2/2012—Financial instruments for SMEs co-financed by the European Regional Development Fund.

• Special Report No 3/2012—Structural funds: did the Commission successfully deal with deficiencies identified in the Member States’ management and control systems?

• Special Report No 4/2012—Using Structural and Cohesion Funds to co-finance transport infrastructures in seaports: an effective investment?

• Special Report No 5/2012—The Common External Relations Information System (CRIS).

• Special Report No 6/2012—European Union Assistance to the Turkish Cypriot Community.

• Special Report No 7/2012—The reform of the common organisation of the market in wine: Progress to date.

• Special Report No 8/2012—Targeting of aid for the modernisation of agricultural holdings.

• Special Report No 9/2012—Audit of the control system governing the production, processing, distribution and imports of organic products.


• Special Report No 11/2012—Suckler cow and ewe and goat direct aids under partial implementation of SPS arrangements.

• Special Report No 12/2012—Did the Commission and Eurostat improve the process for producing reliable and credible European statistics?


• Special Report No 14/2012—Implementation of EU hygiene legislation in slaughterhouses of countries that joined the EU since 2004.

• Special Report No 15/2012—Management of conflict of interest in selected EU Agencies.

• Special Report No 16/2012—The effectiveness of the Single Area Payment Scheme as a transitional system for supporting farmers in the New Member States.

• Special Report No 17/2012—The EDF contribution to a sustainable road network in sub-Saharan Africa (nFED228).

• Special Report No 18/2012—European Union Assistance to Kosovo related to the rule of law.

• Special Report No 19/2012—Follow-up of the European Court of Auditors’ Special Reports.

• Special Report No 20/2012—Is Structural measures funding for municipal waste management infrastructure projects effective in helping Member States achieve EU waste policy objectives?

In addition the following opinions were adopted by the ECA in 2012:


- Opinion No 2/2012:
  - On an amended proposal for a Council Regulation laying down implementing measures for the system of own resources of the European Union.
  - On an amended proposal for a Council Regulation on the methods and procedure for making available the traditional and GNI-based own resources and on the measures to meet cash requirements.
  - On a proposal for a Council Regulation on the methods and procedure for making available the own resource based on the value added tax.
  - On a proposal for a Council Regulation on the methods for making available the own resource based on the financial transaction tax.


- Opinion No 7/2012—concerning a proposal for a Regulation of the European Parliament and of the Council introducing, on the occasion of the accession of Croatia, special temporary measures for the recruitment of officials and temporary staff of the European Union.


Moreover, 49 specific annual reports on the European agencies and other decentralised bodies have been adopted. The reports include an opinion on the reliability of their 2011 financial statements and on the legality and regularity of the underlying transactions.

The ECA’s Annual Activity Report for 2011 was published in April 2012. It provides an overview of the key results and achievements during the previous year as well as the main developments in its audit environment and internal organisation.

All ECA reports and opinions can be found on the ECA’s website http://eca.europa.eu.
Following nominations from their Member States, and after consultation with the European Parliament, the Council of the European Union appointed the following new Members to the European Court of Auditors in 2012 for renewable terms of six years:

- Mr. Henrik Otbo (Denmark).
- Mr. Pietro Russo (Italy).
- Mr. Ville Itälä (Finland).
- Mr. Kevin Cardiff (Ireland).
- Mr. Baudilio Tomé Muguruza (Spain).

Furthermore, the mandates of the following current Members of the ECA were renewed in 2012 for further six years terms:

- Mr. Vítor Manuel da Silva Caldeira (Portugal).
- Mr. Karel Pinxten (Belgium).
- Mr. Hans Gustaf Wessberg (Sweden).
**NEWS FROM THE ISSAI HARMONISATION PROJECT**

**Dr. Norbert Weinrichter**  
Member of EUROSAI Goal Team 2 "Professional Standards"  
Rechnungshof (Austria)

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**Introduction—Why it is important**

The “ISSAI Harmonisation Project” is one of the current core endeavours of INTOSAI. It proposes to replace an entire level of ISSAIs by 2013 to develop the ISSAIs into a truly coherent set of standards within a consistent framework. Not any level, but the “Fundamental Auditing Principles” on level 3 which describe the core of SAIs’ activities—the audit process.

The four documents have been exposed to the INTOSAI community on the ISSAI Framework for discussion. [1] They address important areas for the ISSAI and the INTOSAI community—for example, they will, for the first time, address the authority of the ISSAIs and contain specific guidance to SAIs concerning options on making statements of compliance with the ISSAI. They also provide a description of the concept of public sector auditing and mark the structure of the standards.

Therefore, it is essential that the EUROSAI community carefully considers the exposed documents and SAIs actively bring their experience and competence to the exposure process. In order to facilitate that process, the following article tries to describe some of the historical background leading to the project, its mandate, some key elements of the documents exposed and the next steps to be undergone by the INTOSAI community under the INTOSAI Due Process for INTOSAI Professional Standards. [2]

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**Some History—How it came about**

Facing a growing sophistication of the rules for private sector auditing and perceiving an expectation for similar standards for the public sector environment, the PSC Steering Committee in Washington 2006 marked an important turning point in the development of the ISSAIs by establishing the “dual approach”: Existing (private sector) standards should be recognized and used, complimentary public sector guidance should be developed where necessary. The PSC also redefined the General Auditing Standards of 1992 as “Fundamental Auditing Principles”. These, together with guidelines based on the dual approach were to be the core of the public sector auditing standards and guidelines.

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After a survey on the use and needs for standards in the public sector, INCOSAI XIX in 2007 in Mexico adopted the current ISSAI Framework by classifying a range of different existing documents into four levels and numbered them systematically. The first and second levels of ISSAI were to deal with institutional requirement for the SAI. ISSAIs 100-999 (“level 3”) should contain the fundamental principles of carrying out auditing of sector public entities. Level four should contain detailed operational guidelines informing SAIs how to implement these principles in specific instances (i.e. financial and performance audits).

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Level 3 was initially filled by the “old” INTOSAI Auditing Standards developed in 1992. Already at this stage, however, it was foreseen that a revision would be necessary in light of newer documents. In 2010, INCOSAI XX approved further documents on level 4 including over 30 on financial audit, but also on performance and compliance audit.

The INCOSAI XX also highlighted the relevance of the ISSAI framework as a comprehensive set of standards and guidelines that support SAIs around the world in their daily auditing practice. It stated that the ISSAIs present the essence of public sector auditing and called upon INTOSAI’s members to implement the ISSAIs in accordance with their mandate and national legislation. At the same time INCOSAI—as discussed already at the PSC meetings in Brasilia 2009, Bruxelles 2010 and Copenhagen 2010—mandated the PSC to revise level three of the framework in order to provide an improved conceptual basis for public sector auditing and improve consistency within the ISSAI Framework.

**Mandate of the Project—What it should do**

The central goal of the project is to revise the ISSAI 100-999 Fundamental Auditing Principles in order to ensure that they describe the general role and auditing function of a SAI and are relevant and useful for all members of INTOSAI; they provide an overview and further references to the full set of ISSAIs where more operational guidance is provided and they provide a consistent set of concepts and an improved link between ISSAI 1 The Lima Declaration and the new set of comprehensive guidelines that were launched in 2010.” Subsequently the project group will consider how the ISSAIs 10-99 and 1000-5999 can be aligned to the revised fundamental auditing principles where necessary. Members of the project group are Austria, Brazil, China, Denmark (Chair), European Court of Auditors, India, Mexico, Norway, Slovakia, South Africa, Sweden, UK and USA.

**Content—what it proposes**

**Structure of the documents**

The revised ISSAI 100 will establish the fundamental, common principles and concepts applicable to all public...
The current proposal thus lays a groundwork for a balanced view of public sector auditing with a view on all three branches.

sector audits. The revised ISSAI 200, 300 and 400 will elaborate the principles and concepts as they apply specifically in financial, performance and compliance audit. This structure may seem obvious, but it is actually a first important step forward.

Neither the LIMA declaration (which does not use the concept of compliance audit), nor the “old” level 3 documents (which are roughly organized according to steps or the audit process) or mere reference to the frameworks used in private sector auditing were able to form a conceptual high level basis for the current structure of the existing guidelines of level 4. The current proposal thus lays a groundwork for a balanced view of public sector auditing with a view on all three branches.

The following graphic presented at the PSC Steering Committee in Johannesburg in June 2012 explains the way the documents will work together.

How does it work as a package?
Mandates of SAIs—provide for different of audit work
ISSAI 100 Fundamental Principles of Public Sector Auditing
ISSAI 200 Financial Auditing
ISSAI 300 Performance Auditing
ISSAI 400 Compliance Auditing
General Auditing Guidelines

The ISSAI 100 provides fundamental principles applicable to all public sector engagements (represented by the blue bars) whatever their form or context. The ISSAI 200, 300 and 400 further elaborate on the principles to be applied in the context of financial auditing, performance auditing and compliance auditing. They take up the ideas of ISSAI 100 and—when needed—further define the principles in the context of the specific scope of applicability.

Public sector auditing
One of the topics discussed in the project was: should the new level 3 define auditing? Should it define public sector auditing? Should there be a significant difference in definition of auditing for the public sector compared to commonly used definitions on auditing? How should the balance be found between finding new facts, making recommendations, providing assurance and reducing audit risk?

The current proposal describes auditing as a systematic process of objectively obtaining and evaluating evidence to determine whether information or actual conditions correspond with established criteria. Moreover, central aspects of the public sector environment of the work of SAIs are put into focus: The constitutionally mandated task of SAIs, its interrelationship with legislature and democracy, and its context of citizens paying taxes and entrusting them to public institutions. This proposal strives to place public sector auditing with its central ideas of performance auditing, financial auditing and compliance auditing on the map of professional auditing, while being flexible enough to integrate new methodological developments.

The proposed ISSAI 100 takes another step in setting the background for public sector auditing by defining crucial elements of the audit: The role of the auditor, the responsible party, the intended users, subject matter, subject matter information, and criteria.

Elements
The proposed ISSAI 100 takes another step in setting the background for public sector auditing by defining crucial elements of the audit: The role of the auditor, the responsible party, the intended users, subject matter, subject matter information, and criteria. By setting these elements as fundamental principles, ISSAI 100 would strengthen the consistency of all types of public sector audit. The necessary flexibility is retained by specific
references to the underlying subject matter for each branch of audit.

With reference to performance audit this proposal actually widens the application of these elements, since until now no ISSAI on performance audits included these concepts. To do so, the proposal includes broader concepts, such as on criteria, which may include “what should be according to laws, regulations or standards, what is expected according to sound principles and best practice, and what could be (given better conditions).”

Confidence and Assurance

One of the difficult tasks of the project group was to explain and define the way the different types of audit relate to the concept of assurance. This concept is of key importance in the auditing standards for financial and compliance audit, but does not appear in the INTOSAI standards for performance audit. The project group have addressed this in the following way:

Depending on the purpose of the audit, the level of confidence may be communicated in different ways:

A) By providing an explicit statement on the level of assurance in an opinion in a standardized format or in a conclusion in a non-standardized form.

B) By providing a consistent and persuasive description of the audit objective, the evidence obtained, the findings, the conclusions and recommendations.

In both cases the audits are required to be objective and the results are based on findings supported by sufficient and appropriate audit evidence.

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**This concept is of key importance in the auditing standards for financial and compliance audit, but does not appear in the INTOSAI standards for performance audit.**

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**Principles**

The four documents—ISSAI 100, 200, 300 and 400—will share a common structure that is pointed out in the following graphic that is actually part of the proposed ISSAI 100: there are principles that relate to specific process steps of the audit, and general principles that are relevant in all process steps.
For the first time, the ISSAIs will address the authority of the ISSAI and contain specific guidance to SAIs concerning options on how to make reference to the use of the ISSAIs. Basically, the proposal defines two options on how to formulate statements of compliance:

Option 1: “We conducted our audit in accordance with national standards based on (or consistent with) the Fundamental Auditing Principles (level 3) of the International Standards of Supreme Audit Institutions”.

Option 2—if ISSAIs at level 4 are adopted as the auditing standard: “We conducted our (financial, performance and/or compliance) audit in accordance with the International Standards of Supreme Audit Institutions (on financial, performance and/or compliance auditing)”.

Thus, SAIs would need to adopt standards. These can be national ones (which then need to comply with the ISSAIs at level 3, the Fundamental Auditing Principles), or they can be the ISSAIs at level 4. A careful consideration of these two options will be at the center of many SAI’s choices of implementation.

The two options also mean: there will be no way around compliance with level 3 if a SAI is interested in making reference to the ISSAI framework. This consideration highlights the relevance of active participation in the exposure process.

Next steps—what your SAI should do

ISSAI 100 and 300 have been sent out for exposure according to the Due Process for INTOSAI Professional Standards on 30 August 2012. ISSAI 200 and 400 were exposed by 15 November 2012. The exposure period will last until 15 February 2013.

This means that ISSAI 100 as the most fundamental paper is out for comments for a considerable time and can be considered together with the detailed papers on the three audit branches.

This means that ISSAI 100 as the most fundamental paper is out for comments for a considerable time and can be considered together with the detailed papers on the three audit branches. Thus, the interaction between the general principles (e.g. on compliance) and the more detailed principles about specific requirements for a specific type of audit can be analysed.

So what does that mean? The following graphic shows the steps of the Due Process:

Due process
So what happens after finalization of the Harmonisation Project? It will be up to the individual SAIs and to the INTOSAI community to deliver on the ISSAIs main promises: quality, credibility and professionalism by further developing audit practices and sharing experiences.

By the decision to expose the documents, the steering committee approved that

- the exposure draft fulfils the purpose of the project and is of high quality;
- that any overlaps and inconsistencies in the ISSAI framework have been appropriately addressed and
- that the exposure draft can be submitted for public exposure.

However, it is up to every SAI to give input on the content of the document.

The final steps for the documents will be a PSC steering Committee Meeting in June 2013 to decide on an endorsement version to be presented first to the Governing Board in October 2013 and then to the XXI INCOSAI in October 2013.

Conclusion

Implementation of the ISSAIs is a strategic goal of the INTOSAI as expressed—among others—in the Johannesburg Declaration 2010. A variety of measures are taken to enhance and strengthen this process—from a CBC guide on Strategic Consideration before implementing the ISSAI, to IDI initiatives, the SAI performance measurement framework of the INTOSAI Working Group on the Value and Benefits of SAIs to the work of the IDI to help SAIs in the day-to-day work of implementation. All of those measures assume a given purpose and structure of the ISSAIs on the audit process—the very basis of which is formed through the ISSAI Harmonisation Project.

The essence of this article is to point out the importance of the documents resulting from the ISSAI Harmonisation Project, which are currently exposed for comments. They are worthy of your attention—in exposure and in implementation. So what happens after finalization of the Harmonisation Project? It will be up to the individual SAIs and to the INTOSAI community to deliver on the ISSAIs main promises: quality, credibility and professionalism by further developing audit practices and sharing experiences.

For more information about the ISSAI Harmonisation Project, documents etc. on the project’s website please visit the following website:

http://www.psc-intosai.org/composite-280.htm
The INTOSAI Development Initiative has embarked on the ISSAI Implementation Initiative from 2012. This World Bank funded project, in collaboration with different stakeholders seeks to coordinate the implementation of ISSAIs across eligible SAIs. The Programme aims at strengthening the institution of Public Audit across the SAIs through Capacity Development in implementation of the standards.

Background

The 20th INTOSAI Congress adopted a comprehensive set of International Standards of Supreme Audit Institutions (ISSAIs [1]) that cover the core audit disciplines of financial, compliance and performance audits. The adoption of the ISSAIs represents a milestone in the strengthening of the global public sector audit profession and will serve as a key tool for securing greater uniformity in the way public sector auditing is conducted. This will in turn contribute to improving audit quality; facilitate benchmarking of current practices against internationally recognized best practices, and for ensuring increased credibility of SAI audit reports.

The adoption of the ISSAIs represents a milestone in the strengthening of the global public sector audit profession and will serve as a key tool for securing greater uniformity in the way public sector auditing is conducted.

For the ISSAIs to fulfil their potential, they need to be applied globally by the SAI community. A vast majority of the 190 INTOSAI members are located in developing countries. Many of these SAIs will face challenges in the successful implementation of the voluminous ISSAI framework. The ISSAIs are frequently technical and complex, and may represent challenges in terms of securing coherence between national manuals and standards and the ISSAIs, and in building staff capacity to ensure successful implementation.

For the ISSAIs to fulfil their potential, they need to be applied globally by the SAI community.

INTOSAI’s Strategic Plan envisages “the role of the INTOSAI Development Initiative (IDI) will be to take forward the implementation of the ISSAIs”. The SAIs themselves have also expressed a need to become more professional in their work, as reflected in the 2010 SAI Stocktaking Report [2]. The INTOSAI Regional Secretariats have also emphasized the need to strengthen the quality of audit work in their regions.

[1] The ISSAIs are available on: www.issai.org

The ISSAI Implementation Initiative

The ISSAI Implementation Initiative (3i Programme) 2012-2014 will be planned, designed, delivered, and monitored by the IDI in partnership with INTOSAI Professional Standards Committee (Chair-Denmark), Subcommittee on Financial Audit (Chair-Sweden), Subcommittee on Performance Audit (Chair-Brazil), Subcommittee on Compliance Audit (Chair-Norway), INTOSAI Capacity Building Committee (Chair-Morocco) and the INTOSAI Regions. The World Bank is the financing partner for phase 1 of this programme. Through the 3i Programme, IDI would be responsible for supporting ISSAI implementation in SAIs. The implementation itself is the responsibility and decision of the SAIs. Standard setting and defining the ISSAIs would be done by the PSC and its sub committees. All 3i Programme products are faithful to the defined ISSAIs. The programme will cover level 4 ISSAIs pertaining to the three streams of audit, as also level 2 ISSAIs which are the prerequisites for functioning of SAIs.

Programme Description

Objectives of the Programme

The objectives of the programme are:

- The 3i Programme planned for 2012 to 2014 will be the first phase in supporting ISSAI implementation. A long term strategy for ISSAI implementation will be developed.
- To facilitate ISSAI implementation rollout (financial, compliance and performance audit) at regional and SAI level for developing countries of English speaking regions beginning 2012 and in Arabic, French and Spanish beginning in late 2013.
- To provide a web based knowledge sharing forum for 3i programme and products.

Strategy for programme implementation

The programme implementation strategy for the 3i Programme may be analysed at two levels:

Global and Regional Level

Global Public Goods

The 3i Programme would aim at creating Global Public Goods which would be used by the Public Audit community over the years to assess and refine their level of implementation of ISSAIs.

iCATs as a vehicle for ISSAI implementation

In order to assess ISSAI compliance at level two and level four, three teams of ISSAI experts from the sub committees and ISSAI mentors from the regions will develop ISSAI Compliance Assessment Tools (iCATs) for financial, compliance and performance audit. iCATs are tools for needs assessment vis-a-vis the SAIs. They would seek to assess the level of compliance of the SAIs with the
ISSAI requirements. The compliance would be confirmed by seeking supplementary information. Wherever the SAI is not able to meet the compliance requirements the reasons thereof would be ascertained and analysed. ISSAI facilitators from the regions will be trained in the use of the iCATs as the first part of the ISSAI certification programme.

Wherever the SAI is not able to meet the compliance requirements the reasons thereof would be ascertained and analysed.

Audit Template Manuals and Model Audit Files

These would benefit the global public audit community by consolidating the requirements of ISSAIs. These would be worked upon in 2013.

ISSAI Certification Programmes [3]

iCATs and ISSAI based audits manuals and model files for financial audit, compliance audit and performance audit will be used to create a certified pool of ISSAI facilitators through an ISSAI Certification Programme. The ISSAI certification programme will be offered to participants from member SAIs of developing countries in INTOSAI regions. The ISSAI certification programme will consist of selection of participants, e-course on iCATs and ISSAIs delivered through the UNITAR platform, dissemination of ISSAI compliant manuals and model audit files, project work and face to face workshops for facilitation skills. All participants who successfully complete the programme will be certified as ISSAI facilitators.

ISSAI Knowledge Network

The IDI will partner with UNITAR [4] to develop a web based knowledge sharing forum. The forum will provide detailed information on the 3i programme, links to other websites, access to 3i programme products, interactive forum for discussions and knowledge sharing related to ISSAIs, webinars and video conferences, project work, online mentor support for implementation of ISSAIs.

Regional Level and SAIs

• ISSAI Implementation Strategy: Regional 3i Management workshops will be conducted in five regions for SAI top management to create awareness of ISSAIs, discuss and strategise considerations in the implementation of ISSAIs and share experiences related to ISSAI implementation.

• ISSAI Based Cooperative Audits would be facilitated towards regional coordination and cooperation

• ISSAI implementation in regions: 3i review meetings and workshops will be held to ascertain the results of the iCATs and get commitment on implementation strategy. Based on the results of iCATs and level of readiness and commitment of SAIs, support will be provided for implementation of level four ISSAIs to at least 30 SAIs in the English speaking regions.

Milestones of the Programme

The Planning Meeting for 3i Programme held in Johannesburg in May 2012 kicked off the programme by finalising the Programme design and setting the roles and responsibilities. A cooperation meeting was held in June 2012 with UNITAR.

[3] SAIs from countries eligible for support as per the OECD-DAC list 2012

The 3i Product Development Meeting was held in Oslo in July-August 2012. The ISSAI experts and mentors were exposed to UNITAR e-learning platform, design, development and delivery of online courses.

The 3i Product Development Meeting was held in Oslo in July-August 2012. The ISSAI experts and mentors were exposed to UNITAR e-learning platform, design, development and delivery of online courses. The ISSAI Compliance Assessment Tools were drafted. Three e-learning courses for iCATs were developed. Thereafter preparations have been underway for the nomination of participants for ISSAI Certification Programmes. Invitation packages were sent to 87 SAIs in five INTOSAI regions calling for nominations. These online e-courses are being held from 22 October to 7 December 2012 and at least 261 participants are being trained. Three Management workshops for the 3i Programme are being conducted in November-December 2012 for SAIs belonging to CAROSAI, AFROSAI-E and PASAI.

3i Programme and EUROSAI

Some of the SAIs in EUROSAI are classified as developing countries and are eligible for donor support. Some of them also have dual membership. IDI will partner with eligible SAIs in EUROSAI for regional and SAI level activities of this programme. These SAIs are Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Former Yugoslav Republic of Macedonia, Georgia, Kazakhstan, Moldova, Montenegro, Serbia, Turkey and Ukraine.

3i Management Workshop for EUROSAI

This workshop is planned to be held in Sarajevo, Bosnia in February 2013 for eligible SAIs in EUROSAI. It will be held on the same lines as the other regional 3i Management workshops.

This workshop is planned to be held in Sarajevo, Bosnia in February 2013 for eligible SAIs in EUROSAI.

Long Term Strategy for ISSAI Implementation

The programme described in the previous sections is only the first phase of the 3i programme. Implementing ISSAIs in a SAI would require a comprehensive look at the institutional, organizational and professional staff capacity of the SAI. It is expected to be a strategic change management process, very akin to the capacity building process in an SAI. As such the support for ISSAI implementation needs to be looked at from a long term perspective to support development of institutional and organizational capacity in terms of supporting SAIs in terms of improving their independence and legal framework, assisting in enhancement of leadership and SAI governance, promoting accountability and transparency mechanisms in SAIs and helping the SAIs in strengthening their strategic partnerships with key stakeholders like Parliaments, audited entities, media and civil society organizations. Besides the institutional aspects of ISSAI implementation, SAIs would also require support in implementing ISSAIs pertaining to individual audit areas, including present areas of continuing significance e.g. environment audit and new emerging audit areas of INTOSAI focus. It is envisaged that these considerations for ISSAI implementation would form the basis of the IDI’s future strategic plan 2014-2021.

The ISSAI Certification Programme is available at www.unitar.org/idii
EUROSAI STRATEGIC PLAN 2011–2017
EUROSAI GOAL TEAM 2—APPLICATION OF ISSAI WITHIN EUROSAI

Prof. Dr. Dieter Engels
President of the Bundesrechnungshof
Chairman of Goal Team 2 “Professional Standards”

The key tasks of Goal Team 2 “Professional Standards” include:

1. Raise awareness of the ISSAI and INTOSAI Gov.
2. Support EUROSAI members in implementing them.
3. Contribute to the further development of these Standards.

Since its inaugural meeting in October 2011, Goal Team 2 has taken a number of actions to implement these tasks. One of our main activities is the translation of ISSAI into Russian. The Accounts Chamber of the Russian Federation is providing the Russian ISSAI translations, and we appreciate very much this important contribution. As soon as the new EUROSAI Website has been launched, Goal Team 2 will publish the Russian ISSAI translations.

One of our main activities is the translation of ISSAI into Russian.

To support the EUROSAI members in implementing the ISSAI, Goal Team 2 has liaised with the INTOSAI Development Initiative in launching their “ISSAI Implementation Initiative”, that is called “3i Programme”. Nine EUROSAI members participate in this global programme: the SAIs of Albania, Bosnia and Herzegovina, Georgia, Kazakhstan, the Former Yugoslavian Republic of Macedonia, Moldavia, Serbia, Turkey and Ukraine.

As soon as the new EUROSAI Website has been launched, Goal Team 2 will publish the Russian ISSAI translations.

conducted a survey on the implementation of the ISSAI within EUROSAI. About 75% of EUROSAI member SAIs (37 out of 50) responded to our questionnaire. Two SAIs informed us that they were already applying the ISSAI, 35 SAIs (70% of the EUROSAI community) returned the completed questionnaire.

Results

Most EUROSAI members already apply the ISSAI, usually a specific part of the framework. The following ISSAI levels have key priority:

1. Founding principles.
2. Prerequisites for the functioning of SAIs.
3. Fundamental auditing principles.

At level 4, focus is placed on the implementation guidelines on financial, performance and compliance audit. Most SAIs use them as a basis to develop or revise audit manuals and guidelines.

The main obstacles for applying the ISSAI are limited human resources, followed by financial reasons and language problems.

To solve these problems, SAIs rely on various strategies: SAIs conduct training, translate the ISSAI in their national languages, adapt their audit manuals to the

Survey on the application of ISSAI within EUROSAI

To place further activities supporting the application of the ISSAI on a solid footing, in spring 2012, Goal Team 2...
The main obstacles for applying the ISSAI are limited human resources, followed by financial reasons and language problems.

ISSAI. In addition, they cooperate with other SAIs in the framework of INTOSAI and EUROSAI.

SAIs consider a top priority support for the application of the ISSAI with regard to ISSAI level 4, and the INTOSAI Gov. The forms of support that SAIs appreciate most are seminars, cooperation or consulting with other SAIs and guidelines, handbooks or good practice examples.

ISSAI Translations in national languages

Besides the official EUROSAI languages, several ISSAI have also been translated into 16 other national languages (Azerbaijani, Dutch, Bosnian, Bulgarian, Croatian, Czech, Estonian, Macedonian, Hungarian, Lithuanian, Norwegian, Polish, Portuguese, Romanian, Serbian, and Slovak).

Parts of these translations are available on the respective SAIs’ websites. For further information please contact Goal Team 2 (international@brh.bund.de).

Recommendations

1. Goal Team 2 should further focus on encouraging translations, organising seminars and workshops and arrange cooperation or consultation with experienced SAIs, e.g. via an expert database with Goal Team 3.

2. As the large majority of SAIs already apply the ISSAI, there is no need for a second/follow-up awareness-raising seminar. Rather than that, Goal Team 2 should place focus on providing support on the application of ISSAI and also explore the option of providing ISSAI sessions as part of other Goal Teams’ training courses, e.g. for seminars on financial or performance audit.

3. Goal Team 2 should also focus on collecting and disseminating to EUROSAI members any relevant guidelines, handbooks and good practice examples on the application of ISSAI.

4. Last but not least, Goal Team 2 should enhance cooperation with bodies of EUROSAI and INTOSAI, especially the Professional Standards Committee and its sub-committees, as well as with external partners (such as ECIIA—European Confederation of Institutes of Internal Auditing).

The report on the evaluation of the survey is published on the EUROSAI Website. At its meeting in November 2012, Goal Team 2 will discuss on lessons learnt and next steps to implement the results of the survey.
EUROSAI GOAL TEAM 3—KNOWLEDGE SHARING

The SAI of the Czech Republic

Background

By adopting the EUROSAI Strategic Plan 2011-2017, the VIII EUROSAI Congress held in Lisbon in 2011 set up four Goal Teams to implement the Strategic Goals.

Goal Team 3 “Knowledge Sharing” is in charge of encouraging cooperation and exchanging of experience among EUROSAI Members, within INTOSAI and with external partners.

As of the end of September 2012 GT3 is composed of representatives from 14 SAIs:

Chair: SAI of the Czech Republic.

Members: SAI of Austria, Belgium, Estonia, Former Yugoslav Republic of Macedonia, Hungary, Lithuania, Poland, the Slovak Republic.

Members of GT3 are EUROSAI members who volunteer to participate in the work of the team. They were chosen among the volunteers with a view to ensure the team has recourse to each of the specialisms required to achieve its objectives.

Ex-officio members: SAIs of Norway (WG on Environmental Audit), Portugal (TF for Audit and Ethics), Switzerland (WG on Information Technologies), Ukraine (TF on Audit of Funds to Catastrophes and Disasters).

EUROSAI Working Groups and Task Forces represent significant achievements in the field of Knowledge Sharing within EUROSAI, fulfilling Strategic Goal 3 of the EUROSAI Strategic Plan. From that reason are ex-officio members of GT3 and are represented by their chairs or representatives appointed by them, with the necessary given authority.

Invited expert: SAI of Spain.

Members of GT3 are EUROSAI members who volunteer to participate in the work of the team.

The EUROSAI Secretariat (Spain) supports the activities of GT3 connected to training, cooperation, financial issues, EUROSAI website and EUROSAI publication.

First steps

The first year of the implementation of the EUROSAI Strategic Plan within GT3 was dedicated to:

Establishing GT3 and its subgroups.

GT3 met for the first time in Prague, on the 16th and 17th November 2011. The meeting was organised and chaired by the Czech SAI.

At the meeting the concrete tasks for implementing Strategic Goal 3 were discussed, the first drafts of Terms of Reference and of Operational plan were developed and the work schedule was fixed. At the same time four GT3 subgroups for more efficient and specialised operation were established.

From that reason are ex-officio members of GT3 and are represented by their chairs or representatives appointed by them, with the necessary given authority.
At the meeting the concrete tasks for implementing Strategic Goal 3 were discussed, the first drafts of Terms of Reference and of Operational plan were developed and the work schedule was fixed.

- SG1: for activities concerning the use/implementation of the results of the work produced by individual SAIs, EUROSAI and INTOSAI Committees and WGs as a tool for cooperation, and activities relating to audit cooperation within EUROSAI (3.1.1, 3.1.2, 3.1.4 and 3.2).
- SG2: for training activities (3.1.3).
- SG3: for cooperation within EUROSAI (3.3).
- SG4: for cooperation with external partners (3.4).

Drafting of the ToR, OP and annual report.

**Terms of Reference for GT3**

In accordance with General Procedures for EUROSAI GT3 prepared a draft of its ToR, in liaison with Goal Team 4.

The GT3 ToR states how the Team supports the objectives of EUROSAI and its Strategic Plan, defines tasks, membership and invited experts, procedural provisions, relationship with INTOSAI and its Regional Working Groups and liaison with the Goal Team 4 and other EUROSAI bodies.

The GT3 ToR stresses a significant role of EUROSAI WGs and TFs towards the accomplishment of Strategic Goal 3, performing knowledge sharing activities for several years. Thus, GT3 considers and closely coordinates its strategies and tasks with the WG and TF activities.

In spring 2012, GT3 ToR were adopted by GT3 members and submitted to the EUROSAI Governing Board for approval.

**Operational plan for GT3**

GT3 tasks and responsibilities are concretised by an operational plan as defined in the General Procedures for Goal Teams and detailed in the Planning, Monitoring and Reporting Requirements (PMRR).

In accordance with General Procedures for EUROSAI and PMRR GT3 drafted its operational plan. The plan is closely linked to the objectives and implementation activities of the Strategic Plan, covers the implementation period of the Strategic Plan and is subject to annual review.

In spring 2012, the GT3 operational plan was adopted by GT3 members and submitted to the EUROSAI Governing Board for approval.

**Annual report**

The GT3 Chair drafted the GT3 annual report for the Governing Board on the work accomplished by the team to achieve its Strategic Goal.

The annual report summarises actions taken, results achieved, issues for follow-up, expected outcomes for the future, and any other relevant information.

The Governing Board approved at its XXXIX Meeting in Ankara in May 2012, GT3 Terms of Reference and the Operational Plan. The Governing Board also endorsed the annual report, and adopted the GT3 financial request for organising an IT seminar in Prague in September 2012.

Launching of key activities according to OP

Immediately after its establishment, GT3 started to operate and has already seen the first results of its efforts.

**Implementation Strategy 3.1**

Enhance the use/implementation of the results of the work produced by individual SAIs, EUROSAI and INTOSAI Committees and WGs as a tool for cooperation.
Results already achieved

- A list of existing databases of audits conducted by the EUROSAI members and existing products of INTOSAI and EUROSAI WGs and Committees was created.
- A list of questions regarding the new database of audits conducted is being developed.
- Possibilities for marketing EUROSAI products and tools are being identified.
- WGs and TFs have been contacted in order to find out their planned activities.
- Relevant SAIs, which answered positively in the ETC survey about organising a training activity, have been contacted in order to find out if they still plan to arrange these events.
- Two WGEA EUROSAI seminars and one meeting were organised:
  - EUROSAL WGEA seminar on Best Practice in Environmental Auditing, October 2011 (WGEA Chair-SAI Norway).
  - EUROSAL WGEA annual meeting, October 2011 (WGEA Chair-SAI Norway).
  - EUROSAL WGEA seminar on Sustainable Fisheries and Forest Management, May 2012 (WGEA Chair-SAI Norway).
- TF on Audit of Funds to Catastrophes and Disasters meeting was organised (TF Chair-SAI Ukraine).
- Seminar on Application of Software Tools in Audit was organised by the Czech SAI in September 2012 under the auspices and with financial support of EUROSAI.

Main expected results for the future

- Training events/knowledge sharing seminars carried out within EUROSAI are promoted.

Implementation Strategy 3.2

Enhance audit cooperation within EUROSAI.

Results already achieved

- GT3 survey on internships and staff secondments was launched in September 2012 (SAI of Poland as a project leader).
- GT3 survey on cooperative activities was launched in September 2012 (Czech SAI as a project leader).

Main expected results for the future

- Updated list identifying areas for cooperative activities at regional and sub-regional levels.
- Updated list of SAIs requesting or volunteering for cooperative activities.
- Number of cooperative audits within EUROSAI.
- Number of EUROSAI members who have organised internships or staff secondments.

Implementation Strategy 3.3

Enhance cooperation within INTOSAI.

Results already achieved

- Joint conference EUROSAI/OLACEFS was organised by the SAI of Georgia in September 2012.
- Further areas for cooperation within INTOSAI are being identified.

Main expected results for the future

- The databases of audits conducted by the EUROSAI members in different fields are established.
- Level of awareness of useable products and tools is increased.
New partnerships with INTOSAI Regional Working Groups are being considered.
On-going cooperation EUROSAI-INTOSAI Donors.
MoU signed with ASOSAI.

Main expected results for the future

- Number of cooperation projects/activities with INTOSAI and its Regional Working Groups and bodies.

Implementation Strategy 3.4

Enhance cooperation with external partners.

Results already achieved

- Areas for developing cooperation with ECIIA (The European Confederation of Institutes of Internal Auditing) are under discussion.

Main expected results for the future

- List of potential external partners indicating possible forms and scope of cooperation to be created.
- Number of partnerships with external partners.

Further steps

The second GT3 meeting will take place in Warsaw in December 2012.

During the working sessions the future steps concerning creating audit databases, marketing of EUROSAI products, training, financing, cooperative audits and cooperation with INTOSAI and EUROSAI will be discussed.

During the working sessions the future steps concerning creating audit databases, marketing of EUROSAI products, training, financing, cooperative audits and cooperation with INTOSAI and EUROSAI will be discussed.

The update of GT3 operational plan will be agreed upon as well.

The members of GT3 are very enthusiastic, hardworking and completely devoted to the complex challenges which the field of Knowledge Sharing represents. Although GT3 is performing its activities for the first year only, it is already obvious that its members smoothly tackle the tasks assigned by the EUROSAI Strategic Plan and and have shown progress and initial results of their work.

For further information please contact the Czech SAI as a Chair of GT3:
michaela.rosecka@nku.cz.
EUROSAI GOAL TEAM 4—GOVERNANCE AND COMMUNICATION

The SAI of Portugal

I. Implementation of the EUROSAI Strategic Plan 2011-2017: setting up the governance framework and achieving the first results

The first year of the implementation of the EUROSAI Strategic Plan 2011-2017 was mainly dedicated to the setting up and structuring of Goal Teams and to the planning of their activities. Goal Teams are now completely organised and all of them have completed their Terms of Reference and Operational Plans. These Operational Plans include the necessary tasks to develop all the key activities of the Strategic Plan, complying with it and showing that the Goal Teams are actually aligned with the goals of the organization.

The teams have also organised themselves in order to implement the Operational Plans. A planning and reporting framework is in place and some operational activities have been completed, such as the redesign of the EUROSAI website and the survey on the implementation of ISSAIs.

This is a very important key factor for a successful implementation, because even if tasks are not yet completely detailed, it is clear who is accountable for them.

Many concrete activities to achieve the Strategic Plan defined outcomes are now in progress.

During 2011-2012 EUROSAI Goal Teams implemented 99% of the planned tasks and the whole of EUROSAI bodies achieved results in all the 4 Strategic Goals, mainly in Goals 3 (knowledge sharing) and 4 (governance and communication).

One must stress that EUROSAI had already a lot of cooperative activities going on, carried out by the EUROSAI Governing Board, Secretariat, Working Groups, Task Forces and Committees. These activities relate mainly to knowledge sharing and cooperation, and are already fulfilling many of the expected outcomes to achieve Goal 3 of EUROSAI.

II. The role of Goal Team 4: supporting, liaising and communicating

Goal Team 4 put a significant effort in the first year of the implementation of the EUROSAI Strategic Plan in order to give it an adequate governance framework.
For this purpose, Goal Team 4 worked by task groups and held 3 plenary meetings before the Governing Board meeting on the 28th May, in Ankara, Turkey.

This Goal Team issued guidance to the other teams and coordinated the preparation of Goal Teams’ Terms of Reference, Operational Plans and Progress Reports to the Governing Board. It prepared a complete set of Planning, Monitoring and Reporting Requirements (PMRR), to be used by all teams during the whole implementation period, and presented the first overall assessment report on the implementation of the Strategic Plan.

The planning and reporting exercise allowed us to identify important cross cutting issues that are critical for the success of the Strategic Plan implementation, such as training, funding, surveys, cooperation and communication.

Work has been done and will continue on the following issues:

- Detecting overlapping risks both in tasks and working methods and dealing with them, by removing redundant tasks, assigning specific coordination responsibilities to Goal Team 4 task groups (as was the case of surveys) or by recommending to Goal Teams to coordinate some specific activities with others. Goal Teams are now conscious of those risks and are aware and organised to coordinate their efforts to avoid overlaps and to operate jointly where complementary or hinged activities exist among them.

### During 2011–2012 EUROSAI Goal Teams implemented 99% of the planned tasks and the whole of EUROSAI bodies achieved results in all the 4 Strategic Goals, mainly in Goals 3 (knowledge sharing) and 4 (governance and communication).

### This Goal Team issued guidance to the other teams and coordinated the preparation of Goal Teams’ Terms of Reference, Operational Plans and Progress Reports to the Governing Board.
• Clarifying the areas where training will be developed by the several Goal Teams, Working Groups and Task Forces.

• Coordinating Goal Team’s surveys, checking for potential overlaps, keeping an updated list of planned surveys and of survey results;

• Interacting with INTOSAI in several levels (Secretariat, Planning Director, Capacity Building Committee, Professional Standards Committee and Sub Committees, IDI and INTOSAI-Donor Steering Committee), through the Secretariats and through members and invited experts in the several Goal Teams.

• Fostering the implementation of practical cooperation activities with other INTOSAI Regional Organisations, such as OLACEFS, ARABOSAI and ASOSAI, and other partners.

Besides the strong direct liaison with the other Goal Teams, Goal Team 4 has approached the communication issue in the first year also by redesigning the EUROSAI website with the aim of enhancing its communicating role, since it gives transparency to EUROSAI activity and enables a full and wider dissemination of information.

The content of the current website was updated and improved, in order to restructure it in a friendly way and adapt it to the Strategic Plan. The website now houses the documents produced by the Goal Teams and other relevant information (a more complete calendar, list of surveys, etc.).

A mockup of a new EUROSAI website has been completed, following a wide consultation process, and was endorsed by the XXXIX GB meeting, bringing the communication possibilities even further.

III. Goal Team 4’s next activities

For the following period, some major cross cutting projects are to be developed by Goal Team 4, namely in the field of communication:

• The implementation of the new website.
• A decision on collaboration tools to be used.
• A communication policy to be adopted.
The mentioned projects will be based in the following assumptions: internal communication should be the first priority, communication within EUROSAI should be as electronic as possible and networking for auditors and other professionals within EUROSAI community should be improved.

Another Goal Team 4’s project for the second year is the review of EUROSAI financial rules in order to adapt them to the new EUROSAI framework.

In this period, specific attention will also be devoted to coordinate training and cooperation.

All the tasks included in the Goal Team 4 Operational Plan are assigned to 6 Task Groups (TG), which were set up to deal with:

- Planning and reporting issues (TG1).
- Liaison and good practices (TG2).
- Training (TG3).
- Funding (TG4).
- Communication and sustainability policies (TG5).
- EUROSAI website (TG6).

Next Goal Team 4 meeting will be held in late April, in Madrid, preparing the XL EUROSAI Governing Board meeting.
The EUROSAI WGEA Secretariat is currently focusing on the topic of sustainable development, as well as focusing on cooperative audits and other initiatives relevant for knowledge sharing and capacity building.

**Sustainable development is the main environmental topic of the upcoming 10th annual EUROSAI WGEA meeting.**

**Sustainable development**

In line with XX INCOSAI’s recommendations, the EUROSAI WGEA is putting a special emphasis on the topic of sustainable development. The topic of sustainability is included as a major focus area in the EUROSAI WGEA Strategy and Activity plan for the period 2012–2014, and has been and will be implemented through various EUROSAI WGEA activities including seminars and meetings.

Sustainable development is the main environmental topic of the upcoming 10th annual EUROSAI WGEA meeting, which will be organised in Cyprus, 23-25 October. Representatives from key institutions such as the European Sustainable Development Network (ESDN), and the European Commission/DG Environment will share their reflections on the current and future challenges related to sustainable development nationally, regionally and globally. With this focus on sustainable development, the EUROSAI WGEA hopes to highlight the importance of the topic for auditors, as well as strengthen auditors’ capacities of integrating the issue into environmental audits. Prior to the annual meeting, a training seminar on Auditing Forests will be organised. The training seminar will focus on the implementation of the INTOSAI WGEA guidance on Auditing Forests, where a main topic is sustainable forest management.

The EUROSAI WGEA seminar Sustainable Fisheries and Forest Management, conducted in May 2012, addressed challenges related to sustainable management within the sectors of fisheries and forests in Europe, and how to approach the topic of sustainability in such audits. Keynote speakers concluded on the basis of existing knowledge that the outlook for forest sector is generally positive, whereas the fisheries sector faces much more severe challenges as regards sustainable management and development. Following the keynote speeches and SAI presentations, seminar participants discussed different ways in which SAs could integrate the topic of sustainability into environmental audits.

**Following the keynote speeches and SAI presentations, seminar participants discussed different ways in which SAs could integrate the topic of sustainability into environmental audits.**

**Cooperative audits**

Several cooperative audits are on-going within the field of environmental auditing. The cooperative audit *Adaptation to Climate Change — Are Governments Prepared?* will be published during autumn 2012. The audit was presented at the VII EUROSAI-OLACEFS conference in September 2012, and the EUROSAI WGEA is working on bringing attention to the audit in relation to other international
Currently, the EUROSAI WGEA secretariat is exploring options for activities related to data and methodology in environmental auditing.

Other activities

The EUROSAI WGEA is very pleased to be an ex-officio member of EUROSAI Goal Team 3-Knowledge Sharing, and will work towards contributing productively and positively to the cooperation and exchange of experience among EUROSAI members.

Currently, the EUROSAI WGEA secretariat is exploring options for activities related to data and methodology in environmental auditing. The aim is to strengthen member SAIs’ capacities in this cross-topical area, recognising that solid data coverage and knowledge about methodology is vital for producing high quality environmental audits.

Fact box

Background

The EUROSAI Working Group on Environmental Auditing (EUROSAI WGEA) was established by a resolution of the 4th EUROSAI Congress held in Paris, 3 June 1999. The current Chair of the EUROSAI WGEA is the Office of the Auditor General of Norway. Today, 44 European SAIs, including the European Court of Auditors, are members of the WGEA.

The EUROSAI WGEA Steering Committee supports the chair and gives strategic direction to the work of the EUROSAI WGEA. Members of the Steering Committee are the European Court of Auditors, the Account Chamber of the Russian Federation, the Accounting Chamber of Ukraine, the Netherlands Court of Audit, the Supreme Audit Office of the Republic of Poland, Sweden’s National Audit Office, the Court of Audit of Slovenia, the INTOSAI WGEA secretariat, and the Office of the Auditor General of Norway (Chair).

Website and Newsletter

Information about the working group’s activities, reports from events, environmental audits and other relevant material are available at EUROSAI WGEA website: [http://www.eurosaiwgea.org](http://www.eurosaiwgea.org). The working group also publishes a bi-annual Newsletter with news from the member SAIs and the EUROSAI WGEA secretariat, also available from the website.
I. Context

The VIII EUROSAI Congress, held in Lisboa in June 2011, in its final Conclusions and Recommendations, on the theme Challenges, demands and responsibilities of public managers and the role of Supreme Audit Institutions, stated that “Within the framework of the EUROSAI Strategic Plan adopted by this Congress, EUROSAI build upon this theme, via a structured dialogue or any other adequate form of joint efforts, such as a taskforce, in order to be able to meet the challenges of change and share the results with the wider INTOSAI community. Mutual experience benefits all.”

Considering this recommendation, and upon one of the strategies of the Portuguese presidency, the EUROSAI Governing Board agreed to set up a Task Force to deal with Audit & Ethics, aiming primarily to promote ethical conduct and integrity, both in SAIs and in public organisations.

This approach meets challenges that have been increasing in a period of a wide financial and economic crisis, which has been causing growing difficulties for citizens. It is generally agreed that the roots of the problem lie on failures of regulation and also on values’ breakdowns. These assumptions, in times of uncertainty and need to recall the basic principles, enhance the opportunity and the advantages of exploring and consolidating this theme.

A meaningful number of European Supreme Audit Institutions decided to participate in this Task Force, which, at the moment, is composed by the following SAIs:

- Tribunal de Contas, Portugal (Chair).
- Državni ured za revizijo, Croatia.
- Κυπριακής Δημοκρατίας, Cyprus.
- European Court of Auditors, European Union.
- Cour des comptes, France.
- Állami Számvevőszék, Hungary.
- Ríkisendurskoðun, Iceland.
- Државен завод за ревизија, former yugoslavian Republic of Macedonia.
- Algemene Rekenkammer, The Netherlands.
- Curtea di Conturi, Romania.
- Racunsko Sodisce, Slovenia.
- Tribunal de Cuentas, Spain.

Albania has already shown its interest in participating in the TF, so we are gladly expecting that soon the SAI of this country will join our efforts.

Other SAIs from Europe are also welcome to join us.

Ethics is about making conscious choices in line with a framework of values and principles.

2. Kick-Off Meeting

The Task Force on Audit & Ethics (TF), under the chairmanship of Tribunal de Contas of Portugal, held its 1st meeting (7-8 May), in Lisbon, aiming to share experiences and practices and, most of all, to prepare its working plan, detailing the objectives, priorities and tasks and their schedule and responsible SAIs.

It was a fruitful meeting, almost like a small seminar, due to the relevant and interesting presentations there done.

- Ethics and mitigation of conflicts of interests in the French “Cour des Comptes”.
- The Code of Ethics of the Romanian Court of Accounts.
- Ethical tools used in the Croatian State Audit Office.
- The experience of the European Court of Auditors.
Our approach will face existing rules on minimums to be complied but should also deal with the expected appropriate behaviours. It will cross issues of fighting fraud and corruption, avoiding conflicts of interests and controlling conducts. But it should also touch upon making moral expectations known and guiding staff and upon possible organisational measures to minimise risks.

In that 1st meeting it was agreed that the main priorities of the TF should be to collect all the relevant experiences, information and good practices in the field, to disseminate this information, to promote a wide discussion on the possible SAI’s role in enhancing ethical behaviour in public organisations and to focus on methodologies and training.

The TF members also agreed on the main objectives, activities/projects, deadlines and expected results and outcomes. Several representatives offered to be responsible for the several projects.

A Working Plan for the period 2012-2014, comprising the assignment of responsibilities, was approved with the following goals:

- **Goal 1**

  Contribute to raise public confidence in SAIs by supporting the implementation of ISSAI 30 (Code of Ethics).

  In this context, the objective is to reinforce, frame and provide robustness to the management of ethical conduct, with practical and feasible tools that intend to help the institutions in their every day work. Some works were unanimously agreed:

  - To list and gather all relevant guidance already available.
  - To list and compare how the several SAIs implement the ethical principles of ISSAI 30.
  - To share information and experiences on the field.

**This approach meets challenges that have been increasing in a period of a wide financial and economic crisis, which has been causing growing difficulties for citizens.**
• To compile a set of good practices.
• To list a set of examples of concrete ethical dilemmas arising from each basic principle and of possible ways to solve or minimise them.
• To identify good practices and define model courses for ethical training.
• To include the information in the website.

Goal 2

Promote ethical conduct in public organisations through the SAIs’ activities.

Maintenance of a high level of ethical behaviour within the organization will probably reduce corruption as well as mismanagement and allow it to enjoy a high reputation within stakeholders and the whole society.

Auditing ethics comes up as a practical way to regularly make the assessment of compliance with those demands, to evaluate at what level control systems are strong and robust, and that ethics stands at a high level within the organisation.

The TF decided to provide support to European SAIs on this matter by:

• Listing and gathering material on all relevant experiences in auditing ethics.
• Discussing the possible role of SAIs in auditing integrity management.
• Sharing information and experience in a seminar and in the website.

3. Upcoming Activities

The Task Force on Audit & Ethics will launch, early December, a survey on Promoting ethical behaviour within SAIs and in public institutions, addressed to all EUROSAI members, to collect and analyse information on SAI’s practices.

The main purpose is to develop an in depth study over this matter and make it available to the other SAIs.

Two seminars are also previewed to be held:

• The first one, aiming to allow discussion and to share experiences and knowledge about the audit of ethics, likely to be held in September 2013.
• And another one, in the beginning of 2014, aiming to share experiences and the results of the TF works in what concerns ethics within SAIs.

The Task Force is seeking to complement its activity with other INTOSAI initiatives, such as INTOSAINT and to share experience with other INTOSAI Regions. A fruitful cooperation is envisaged with CEPAT (Committee for Public Ethics, Integrity and Transparency) from OLACEFS.

The 2nd TF meeting should be held in the 1st quarter of 2013, in the SAI of Croatia.
According to the United Nations, the number of natural disasters in the world has increased by 4 times and the economic damage because of disasters has increased almost by 8 times over the past 35 years.

No less damaged caused by Man-caused disaster. United Nations shows that Europe is second after Asia in the number of man-caused disasters and third in the world in the number of victims in these accidents.

In this connection there is a real need to evaluate the effectiveness of use of budgetary funds allocated to consequences elimination of disasters, the effectiveness of existing methods of forecasting, the impact of taken measures to prevent or reduce to a minimum the consequences of these disasters and the development of new methodological approaches for solving these problems.

For this purpose in 2004 during III EUROSAI WGEA Meeting (Sofia, Bulgaria) the Accounting Chamber of Ukraine emphasized on need for in-depth study and awareness of the SAI and community to the threats of man-caused and natural catastrophes as well as environmental threats in Europe.

In November 2006 at the IV EUROSAI WGEA Meeting in Luxemburg the EUROSAI WGEA Special Sub-group on the Audit of Natural, Man-Caused Disasters Consequences and radioactive Wastes Elimination was established. It became the result of our previous initiative.

The main achievement of the sub-group in 2007-2008 was an international coordinated Audit of the Chernobyl Shelter Fund. 9 SAI’s took part in this audit. Should pay attention to the fact, that international audit with such amount of participants become the precedent in the European and even in the world practice of SAI’s.

Taking into account the need for a deeper study of the problem of rising number of accidents, natural disasters and made-caused catastrophes, as well as the need to involve the efforts of SAI for the prevention and elimination of hazards, at VII EUROSAI Congress (2-5 June 2008, Krakow, Poland), it was decided to establish EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes. The Accounting Chamber of Ukraine was elected Chairman of the EUROSAI Task Force.

Since its establishment, the Task Force has carry out considerable work. Full Report about results of the Task Force activities in 2008-2011 was presented on VIII EUROSAI Congress (30.05-2.06.2011, Lisbon, Portugal), where the resolution on extending the mandate of Task Force until 2014 was accepted.

Task Force consists of 13 Supreme Audit Institutions (SAIs): Armenia, Azerbaijan, Belarus, Belgium, Bulgaria, Hungary, Kazakhstan, Lithuania, Moldova, Poland, Russian Federation, Ukraine and the European Court of Auditors and 3 SAIs involved as observers: SAI of Norway, Slovakia and Italy.

At the 39th EUROSAI Steering Committee Meeting (28-30.04.2012, Ankara, Turkey) the Chairman of the Accounting Chamber of Ukraine on the behalf of the Task Force presented new Work Plan on 2012-2014.
This document sets out the strategic goals and activities of EUROSAI Task Force for the period between the VIII and IX EUROSAI Congress from 2012 to 2014.

The EUROSAI Task Force Mission is to coordinate and consolidate the efforts of European SAIs towards increasing their awareness of the disasters and catastrophes and to help governments develop the effective and efficient instruments of disasters and catastrophes prevention and consequences elimination.

At the 39th EUROSAI Steering Committee Meeting (28–30.04.2012, Ankara, Turkey) the Chairman of the Accounting Chamber of Ukraine on the behalf of the Task Force presented new Work Plan on 2012–2014.

In order to achieve its vision, EUROSAI Task Force will work towards the following strategic goals:

1. Encouraging joint, coordinated and parallel audits of funds allocated to prevention and consequences elimination of disasters and catastrophes within the framework of EUROSAI.
2. Developing the methodology in the field of auditing funds allocated to prevention and consequences elimination of disasters and catastrophes, also capacity building of SAIs in this sphere.
3. Enhancing the collaboration and setting up new contacts between SAIs within the framework of the EUROSAI Task Force activities, conducting joint activities, sharing information and experiences, trainings.
4. Developing a common approach and coordination of the efforts with INTOSAI and EUROSAI Working Groups and bodies, as well as other international organizations.

The achievement of mentioned goals should ensure:

2. Updating of the glossary of terms on auditing the funds allocated to prevention and consequences elimination of disasters and catastrophes.
3. Completion and approval of Recommendations of the good practices on the Audit of Funds Allocated to Disasters and Catastrophes.
4. Conducting of the audits of the funds allocated to prevention and consequences elimination of disasters and catastrophes within the framework of EUROSAI Task Force.

It should be noted that the group has already started to implement the approved plan.

In 2011 the Coordinated Parallel Audit on Protection of the Black Sea Against Pollution was completed. Joint report was signed and presented by Accounting Chamber of Ukraine at the IX Meeting of the EUROSAI Working Group on Environmental Auditing (October 2011, Stockholm, Sweden).

In 2011 the Accounting Chamber of Ukraine has conducted follow up audit of the public funds and other sources of funding allocated to regulation, protection, research and reproduction of water biological resources and provision of environment safety in the fishing basins of the Black Sea and the Sea of Azov conducted jointly with the Accounts Chamber of the Russian Federation in 2010.

The follow-up audit revealed that there remained poor coordination of activities in the area of provision of environmental safety in the fishing basin of the Black Sea and the Sea of Azov. At the same time the recommendations on enhanced performance while using the state funds are still relevant. In this connection the Accounting Chamber of Ukraine together with our Russian colleagues initiated further audit activities, namely, for the Black Sea protection against pollution.

According to the findings of the Coordinated Black Sea Audit the Danube, the Dnieper and the Don rivers are among the main pollutants of the Black Sea.

Therefore the Accounting Chamber of Ukraine initiated the Coordinated Audit of the Implementation of the Convention on Cooperation for the Protection and Sustainable Use of the Danube River in 2013 as the first phase of an integrated audit of the Black Sea protection against pollution that was supported by the Task Force members and listed in its Plan.

Soon we are planning to determine the participants of this audit, and during the annual EUROSAI TF Meeting in 2013, to sign a joint position about conducting this audit.

Next stages of this work are audits in the sphere of protection the Dnieper and the Don rivers against pollution.
As a result these activities will allow us comprehensively study the problem of pollution of the Black Sea and to make appropriate recommendations.

Now in the framework within EUROSAI Task Force the coordinated audit of budget funds allocated for prevention and consequences elimination of disasters is conducting. It is attended by representatives of 8 SAIs: Azerbaijan, Belarus, Italy, Kazakhstan, Moldova, Russia, Poland and Ukraine.

Among planned activities of EUROSAI TF—conducting the coordinated audit of funds allocated to prevention and suppression of natural fires.

Within Strategic Goal 2 in a new Work Plan the Accounting Chamber of Ukraine has prepared the second draft Good Practice Recommendations for audits of the funds allocated to disasters and catastrophes for the reported period.

In Resolution VIII EUROSAI Congress acknowledged that this paper served a useful purpose both for the auditors themselves and audits in general.

The comments received from the members of the TF reaffirmed the appropriateness of the concept document, witnessed its usefulness and interest of the SAI—the participants of our Task Force—in its improvement and further use.

Next year we will finalize the draft Recommendations with purpose to adopt it at the next Task Force meeting and approve at EUROSAI Congress in 2014.

Glossary of terms to conduct audits in the field of prevention and consequences elimination of disasters,

According to the findings of the Coordinated Black Sea Audit the Danube, the Dnieper and the Don rivers are among the main pollutants of the Black Sea.

The purpose of this document is to help SAIs to improve the quality of audits in the field of prevention and disaster management through the selection, generalization and dissemination of the best practice audits in this area.

In Resolution VIII EUROSAI Congress acknowledged that this paper served a useful purpose both for the auditors themselves and audits in general.

This paper is published at the Task Force web-site in the "Documents" and any comments and suggestions are welcomed.

The Recommendations are drawn upon the following findings and results of:

- Questionnaires completed by the Task Force members.
- Methodology developments of SAIs in this area.
- Analysis of the database of the audits of natural and man-caused disasters and catastrophes as appears at the Task Force web-site. At this moment the database contains information about 50 audits conducted by 17 SAIs since 2004.

Besides, the following papers documents and presentations were summarized and studied while updating the Recommendations:

- Materials and presentations delivered at the Task Force meetings.
- Documents prepared by the United Nations, international and national organizations carrying on investigations of disasters, catastrophes and mechanisms of their management.
- Materials of the INTOSAI Working Group on Accountability for and Audit of Disaster-related Aid and the INTOSAL Working Group on Environmental Auditing.
- Experience of the Accounting Chamber’s participation in the Coordinated Disaster-preparedness Audit within activities of the INTOSAI AADA in order to put to the practical use of the Guidance for Supreme Audit Institutions on audits of disaster preparedness that are to be approved as the INTOSAI standard (ISSAI).

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The active participation of EUROSAI TF members in coordinated audits shows the urgency and usefulness of the TF, as well as interest in the chosen subject conducted audits.

which contains more than 40 standardized terms, created by TF members.

IV Meeting of the EUROSAI Task Force was held on March 21-23, 2012 in Poland that was attended by 28 representatives from 11 European SAIs.

EUROSAI TF provides to establish permanent exchange of experience among interested SAIs through thematic trainings as well as to maintain the EUROSAI TF web-site on the web portal of the Accounting Chamber of Ukraine.

EUROSAI TF plans to regularly report about the results of their work in print and electronic media of INTOSAI and EUROSAI, make progress report to the EUROSAI Governing Board. Besides, the new Work Plan provides the interaction with newly formed EUROSAI Goal Team 3 “Sharing Knowledge”, which should consolidate efforts to share experiences, knowledge and information among the members of EUROSAI.

The active participation of EUROSAI TF members in coordinated audits shows the urgency and usefulness of the TF, as well as interest in the chosen subject conducted audits. The positive reaction of the public, governance of our countries on the objective results of ongoing audits is the evidence of the usefulness of our activity. Methodological activities of our group is important too. It gives us confidence in direction and tactics of our work.

IV Meeting of the EUROSAI Task Force was held on March 21–23, 2012 in Poland that was attended by 28 representatives from 11 European SAIs.
The Strengthening of External Public Control: Guarantee for Financial Sustainability and Good Governance
The role of the external control bodies for public management has been acquiring an ever more important character for the proper functioning of democratic societies, especially on account of their importance for promoting efficacy and efficiency in that management, and also because of their active intervention and participation in improving the governance and transparency of the bodies responsible for developing the public economic-financial activity.

As well as the serious economic and social problems occasioned among citizens as a whole, the extraordinary relevance of the international economic and financial crisis in recent years has led to a considerable deterioration in public finances, leading to high levels of deficit and borrowing, which is inevitably affecting the financial sustainability of the public sector.

Within the scope of the European Union, the severity of the crisis in the financial system—which has been especially significant in the Spanish case—together with problems of access to the capitals markets for some member States, has made it necessary to reinforce mechanisms of economic and fiscal integration, among which special mention can be made of two very important instruments adopted in 2012: the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, known as the Fiscal Pact, and the European Stability Mechanism (ESM), which constitutes a very important instrument for guaranteeing the financing of governments in difficulties, at a reasonable cost, with the aim of safeguarding the stability of the Euro zone as a whole.

In relation to these questions, the role played by the external bodies in public control in economic-financial activity becomes essential, given that they have to direct their efforts towards evaluating the proper way to conduct that activity, not just from the point of view of complying with the law and the principles of good financial management but also placing special emphasis to make sure that the development of that activity accords with the aims of budgetary stability and financial sustainability. As well as covering the different phases of the budgetary cycle, this control must also extend and give priority to verifying the proper accountability of the activity developed by the public sector in each financial year.

At the same time, it is necessary for the control work to extend to any kind of manifestation of public economic-financial activity, even when it is not being directly developed by public sector bodies. So, there has recently been a proliferation of the appearance of a large number of legal instruments in which it is more difficult to accredit their public nature, but which form part of that public activity. Among other examples, one can cite bodies which are mostly privately owned but which are effectively subject to control by the public sector, certain associative or merely instrumental figures, the new classes of public contracts, the instruments of public-private collaboration, etc.

Therefore, so that the external control bodies can perform their role properly, it is necessary to take a closer look

- It is necessary for the control work to extend to any kind of manifestation of public economic-financial activity, even when it is not being directly developed by public sector bodies.

Ramón Álvarez de Miranda
President of the Spanish Court of Audit and Secretary General of EUROSAI
We must not forget the significant role of the external control bodies in everything to do with auditing compliance with the rules of transparency and good governance.

at the scope of their auditing action in two aspects: on the one hand, to intensify control over the activity of organisations and bodies of the public sector, from the point of view both of examining the legality and compliance with the principles of economy, efficacy and efficiency in their actions and from that of the exercise of the control based on the principles of budgetary stability and financial sustainability; and, on the other hand, to extend the exercise of their auditing work to all classes of realities or businesses implying a public activity, in spite of being developed via instruments which traditionally did not come within the scope of the auditing actions of the control bodies.

Moreover, we must not forget the significant role of the external control bodies in everything to do with auditing compliance with the rules of transparency and good governance, which is having an ever greater effect on the public powers as a whole. Such control bodies undertake their auditing function on a range of the economic reality, such as the public economic-financial activity, which has a high degree of complexity, and such control work is of great importance since it is directed towards checking the proper accountability of public bodies, the correct use of resources and public funds and, in general, evaluating public management as a whole.

In relation to the foregoing, it can be highlighted that democratic societies are characterised by a progressive interest of citizens in knowing about and actively participating in affairs related to public management. Citizens demand not just more and better results from the public institutions but also increasingly so a greater knowledge of their activity.

The Spanish Court of Audit has been firmly in favour of transparency in public management, especially as far as the accountability of bodies forming part of the public sector is concerned. In this respect, in relation to the annual accounts of local administration bodies, a Platform for accountability by telematic means has been developed in recent years, which has meant a considerable advance in the economic-financial management of local bodies, permitting an exhaustive control to be carried out on accountability and to make the necessary checks in order to verify the integrity and coherence of those accounts.

Democratic societies are characterised by a progressive interest of citizens in knowing about and actively participating in affairs related to public management.

In an additional step towards greater transparency, the Court of Audit decided to make the information provided by bodies in the local public sector available to all citizens, by means of what is known as the Accountability Website or the Citizens Website (www.rendiciondecuentas.es). The information made available for the public includes data on local bodies, their state of accountability and the main content of their accounts, all this organised in a way that is accessible and transparent, which facilitates the consulting of the corresponding information both on any local body and on a group of these bodies, selected according to different parameters.

Equally, the strengthening of external control also has to take place via an increase in cooperation and collaboration among different Supreme Audit Institutions, within the framework of the international organisations, including aspects such as the sharing of experiences, collaboration among the Regional Groups of INTOSAI, peer reviews or the implementation of ISSAIs, among others.

The Spanish Court of Audit has been firmly in favour of transparency in public management, especially as far as the accountability of bodies forming part of the public sector is concerned.
In the case of EUROSAI, significant advances have been taking place in recent years aimed at strengthening the external control and independence of Supreme Audit Institutions. Among other activities, a monitoring has been carried out of the actions adopted for promoting the strengthening of public external control, in line with the Agreement of the United Nations General Assembly of 22 December 2011 and the EUROSAI Agreement of the same year to strengthen the independence of the Supreme Audit Institutions. Measures have also been taken to strengthen and support that independence within the framework of Strategic Goal 1 of EUROSAI, relating to “Capacity Building”. Moreover, promoting the implementation of the ISSAIs and of INTOSAI GOV and the increase in cooperation and the sharing of experiences are designed as essential aspects in the process of strengthening EUROSAI members. These are all initiatives which, together with other similar ones, lead to an improvement in public external control and a guarantee for achieving its maximum independence.

Conclusion

The serious economic and social situation and the growing demands for budgetary discipline and austerity require the external control bodies to exert a greater effort in verifying the correct and proper use of public funds. A principle that has to guide their actions is the standing commitment to improve the fulfilment of their duty in order to satisfy the aim of controlling public management in its various aspects and to achieve a greater public repercussion of their activity. For this, the rules of budgetary stability and financial sustainability constitute an essential control element over the activity of the entire public sector.

Equally, the external control bodies also have to play a key role in fostering the transparency of economic-financial management and good governance of the Public Administrations. In this field of transparency, the external control bodies can and must be a fundamental instrument for promoting the satisfaction of citizen’s rights, informing society, immediately and in a way that is accessible, about those aspects of the audited economic-financial activity that is of interest. The Spanish Court of Audit has responded to this goal by means of developing and implementing an Accountability Website on local public sector bodies, allowing knowledge of the accounts of local bodies to be made accessible to all citizens.

Finally, the strengthening of the role of the external control bodies is taking place by means of strengthening international collaboration and cooperation, especially at the level of the organisations of Supreme Audit Institutions, as are EUROSAI or INTOSAI, which permit the fostering of independence and sharing of experiences among the control institutions which they comprise.

The external control bodies can and must be a fundamental instrument for promoting the satisfaction of citizen’s rights, informing society, about those aspects of the audited economic-financial activity that is of interest.
The Value and Benefit of Supreme Audit Institutions is a concept that has been included in the work agenda of the International Organisation of Supreme Audit Institutions since, following intense processes of reflection and analysis regarding the role of the control bodies with regard to the structures of the State and regarding the citizens of each country, we have realised that the same control bodies have to be aware of the value that they have to incorporate for the management of public affairs.

This incorporation of value has to be focused on the technical, administrative or methodological enrichment of the processes involved in the administration of public resources.

Audit reports, the recommendations drawn up by the auditors, the results of the evaluation of internal control systems, and the advice that is provided for the body being evaluated, as a part of the process of auditing for on-going improvement, have to generate value for the auditees and not just become a mere exhibition of weaknesses or shortcomings which makes the task of the public administrator even more difficult.

The benefit of supreme audit institutions has to be understood as the final consequence of the management of the control bodies, in the same spirit as the citizens, when it comes to reducing poverty, winning the guarantee and confidence of the population, in the fight against corruption and the sustaining of democracy. Political and social changes in all continents make us see that citizens are more aware of their rights and with that awareness they are demanding that the apparatus of the State should comply with its obligations to safeguard those rights and achieve better living conditions for all.

That is where the need to strengthen the control institutions takes on its validity, in order to comply with the expectations of citizens, to protect their interests as sole beneficiaries of the resources of the State in order to guarantee confidence in public management, with objectivity, with opportunity, with quality in complying with their obligations.

But the strengthening of external public control has to be founded on the strengthening of the institutions from the same powers that are assigned to them by the constitutions or the legal framework on the basis of which those powers are exercised.

Independence as a general concept is related to the characteristics of freedom, of autonomy, of capacity to take decisions and to carry out or not actions that are regarded as appropriate, though of course within the sovereignty of the State and a juridical, moral and ethical framework.
Independence as a general concept is related to the characteristics of freedom, of autonomy, of capacity to take decisions and to carry out or not actions that are regarded as appropriate, though of course within the sovereignty of the State and a juridical, moral and ethical framework.

In the origins of modern States the advisability was analysed of whether certain functions ought to be carried out by organisations that are attributed the power of taking decisions without submitting them to another authority.

This would permit, within the appropriate regulatory framework, functions to be carried out which would otherwise not manage to achieve the expected effects.

This is the specific case of governmental control activities and supervising the use of public resources. Otherwise, the dependence and submittal to another authority or organisation would result in negative influences against the effectiveness, efficiency and objectivity of that control.

Effective, transparent, professional and objective control of public resources has to prevent interference from other functions of the State, otherwise the control action submitted to the interests of the Government, to the dispatching of resources for paying its expenses, to the vision which other instances might have over the technical activities of governmental control, would limit the capacity for adopting objective and transparent decisions.

The majority of countries in the world have, in their constitutional organisation, recognised and set down this independence for their control bodies.

The Lima Declaration on the Basic Lines of Auditing of 1977 or the Mexico Declaration of 2007 on independence, along with ISSAI 11 on Guidelines and Good Practices related to SAI Independence, are documents of enormous value for endorsing and strengthening external public control, which has to be promoted before the legislative bodies and the executive power in order to secure the management capacity of the controlling bodies.

The United Nations Declaration on Autonomy and Independence of Supreme Audit Institutions has constituted a historic landmark in this field since 2011, and it also fortifies the position and elements of support for the control bodies.

Within the scope of the Latin American and Caribbean Organisation of Supreme Audit Institutions, the Cartagena de Indias Declaration of 2006 also set down the pillars on which fiscal control action is based: autonomy, accountability and citizen participation.

Within the scope of the Latin American and Caribbean Organisation of Supreme Audit Institutions, the Cartagena de Indias Declaration of 2006 also set down the pillars on which fiscal control action is based: autonomy, accountability and citizen participation.

In this constitutional framework, the contribution of the Supreme Audit Institutions to financial sustainability and good governance in each of our States is made more viable, it being understood that the first of these concepts is that of extension in the field of security and confidence, of philosophy and of the praxis of the administration of public resources.

Good governance can also be contributed by the control body, though with complete freedom for being able to pronounce on any of the elements comprising the administration of the State and ensuring its proper functioning via its periodical examination and the drawing up of those recommendations of value that might be necessary.

We cannot avoid the fact that this entire contribution of the Supreme Audit Institutions to the equilibrium in the co-existence of society within a framework of rules and respect in harmony must also be contributed by the citizen.
That is one of the characteristics that has to be worked on thoroughly, since, beyond the laws and rules, it is the people who recognise the legitimacy of the public players. It is the people who are the supreme mandator and prime auditor of the State, and to whom all forms of participation must be acknowledged without them interfering in the normal development of the public management and totally outside of political influence or interested sectors, who could distort or administrate the capacity and the right of participation towards their own interests.

All we elements of the scaffolding of the State must contribute to sustainability and good governance, topics which have formed the subject of these brief reflections from the Latin American point of view.

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We cannot avoid the fact that this entire contribution of the Supreme Audit Institutions to the equilibrium in the co-existence of society within a framework of rules and respect in harmony must also be contributed by the citizen.
The United Nations “Global economic prospects for 2012 and 2013” document emphasized, among other things, that the world economy is on the verge of another major crisis: that their problems are multiple and interconnected, the production growth has slowed considerably during the 2011 year and for the years 2012 and 2013 is expected that growth will be anemic; that challenges most urgent are addressing the jobs crisis and the continued decrease of the economic growth; that the unemployment rate goes around 9% and revenue growth has stagnated, that medium-term growth prospects are also affected by the gradual loss of skills and training of workers.

Despite this situation, the Republic of Panama has had favorable economic growth rates the past two years, calculating that the current will keep that result.

Strategic Plan of the General Comptroller of the Republic of Panama

To comply with this regulatory order, we prepare the Strategic Plan which sets the activities of the five-year period of 2010-2014 and details concrete measures that put to the test the ability of management and coordination of our EFS-FAI and identifies his vision of achieving through four strategic goals that highlights the impact to achieve on the operation of the Panamanian public financial management; with actions that from the monitoring and control of public expenditure, will ensure correction to institutions of the State in the management of use and management of public funds.

* As from the 1st of January, 2013, the Executive Secretary of OLACEFS is held by the SAI of Chile.
One of the strategic goals is directly linked to the strengthening of the external control, “review and centralization of Government control methods” in order to align them with the best practices in the world. For this purpose, objectives that guide us towards this achievement were established: the promotion of the design and implementation of a system of Government control, the review and modernization of the post control management model and updating of regulations and standards in the field of Government internal control and audit.

Therefore, we have been promoting some strategic lines such as the adoption of the INTOSAI GOVs, updating the regulations to obtain an adequate system of internal control; the strengthening of the national Auditor General, through the increase of jobs to be able to monitor in a timely manner the different entities, together with the increase of the salary of the staff; the exchange of experience with other SAI-EFS of the OLACEFS through participations Audits in Cooperation; the strengthening of multidisciplinary audit teams responsible for the quality control in the audit reports.

At the forefront of the technological challenges we have made investments in computers and as the ACL audit tools and working to apply the Govern system of the auditing with the support of the General Comptroller of Accounts of Guatemala, in order to improve the methodologies and processes, looking for efficiency in the implementation of audits and presentation of results. Equal attention has been coordinating with government agencies that contribute to effective control, as the Court of Auditors, Court Prosecutor, Public Prosecutor’s Office and the National Council of Transparency against Corruption.

We are faithful believers of the need to update the regulations in the field of audit, by such reason the adoption of the ISSAI manages and promotes the development of the Manuals of Financial Audit and Performance. Additional, it has been given trainings on the ISSAI and best auditing practices applicable to the public sector and in turn, it has strengthened ties with SAI-EFS in the region, to count with facilitators from other countries and participation in international events where issues that are of special interest to our organizations are considered.

Citizen participation is another element which we consider essential. Its strengthening as a link between the General Comptroller and the society is done through programs that guide the citizens to develop a control culture and are committed to honesty, suitability and probity in public and private performances. We have achieved through different campaigns the proper use of the property of the State such as: advocacy of the values in different schools, with the aim that at an early age, students become aware of the importance of the proper use of the funds and property of the State; also there has been more contact
with the public, through phone lines, Web page, personally through assistance in the office and direct access to make complaints.

**The Comptroller General and External Control**

According to the constitutional mandate, external control corresponds to the General Comptroller of the Republic. The organic law of the institution provides that any person who receives, handling, custody and manage funds or public assets, is in the obligation of accountability to the General Comptroller, in the form and time to be decided, reaching the above obligation, people who manage by order of a public entity, funds or property belonging to third parties and to the representatives of companies or associations that receive subsidies of public entities.

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**According to the constitutional mandate, external control corresponds to the General Comptroller of the Republic.**

Despite the vast scope of application involving the aforementioned mandate, until recently, the exercise of external control of the Comptroller General was mainly concentrated on the implementation of the prior acts of management control, and on the subsequent control, through financial and special audits by complaints; by hardly demanding “accountability”, as a mechanism through which, the forced accountable report on their activities related to public funds received, handling, custody, or managed.

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**More recently, the 34 Act of 2008, for Fiscal Social Responsibility, has determined that the management of public finances will be run under the principles of transparency, responsibility and accountability, which seeks to strengthen democratic institutions.**

More recently, the 34 Act of 2008, for Fiscal Social Responsibility, has determined that the management of public finances will be run under the principles of transparency, responsibility and accountability, which seeks to strengthen democratic institutions. Thus in the Strategic Plan one of the strategies searches in addition to strengthen accountability. On the domestic side, for example, we have emphasis on providing information about our management by different means, met in one hundred percent with the Transparency Act which has promoted that the institution has been awarded with the Prism Award of Excellence, awarded by the National Council of Transparency against Corruption.

**Preventive, Concomitant Control and Accountability Scheme**

Previous control have promoted a range of activities aimed at their flexibility, which go from the total transfer of risk management to some executing agencies, using a selective control that includes accountability; increased decentralization of verification and endorsement of documents of fax impairment, maximizing our resources and services; concomitant, selective control practice, with focus on the evaluation of operational risks, which facilitates and makes more expeditiously to obtain information useful for decision-making rather than fiscal involvement occurs or run administrative actions that ultimately represent an affectation to the administration of property and public funds. Therefore, considering the experience of a preventive and back control, was formalized institutional multidisciplinary team prepared a standard of accountability, based on the progresses which, in this field, have developed international organizations.

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**Modernization of the Control Target Audience, Strengthening Internal Control**

In addition to this effort, we started a program of modernization of Government control and strengthening of internal control, through the units of internal audit of public entities, with what we seek to support the efforts of the Executive to make more efficient and effective financial management, which has led us to initiate the following actions: (a) develop a General Law on Internal Control, b) strengthen and modernize public sector internal audit and, c) develop the Panamanian Integral Control System Model.
The challenge is to enhance our competitive advantages to maintain our growth and achieve substantial improvements in the social conditions of the population.

Conclusions

The Panamanian economy shows signs of growth, despite a global picture with little pleasing expectations. The challenge is to enhance our competitive advantages to maintain our growth and achieve substantial improvements in the social conditions of the population. In this context, the strength and transparency of public finances, is particularly important and consistent, the external control exercised by the Office of the Comptroller General needs to be modernized to adapt to the pace of the Government financial system.

The Panama SAI EFS is committed to modernize its methods of control to move from a purely centralized previous control, schema, concomitant, accountability and audit.

The model that we have chosen to exercise Government control is one that conceptualizes the integrity of control, understood as the coordinated exercise of the internal and external control, under a scheme of centralized regulation and operation decentralized. The Panama SAI EFS is committed to modernize its methods of control to move from a purely centralized previous control, schema, concomitant, accountability and audit. The roadmap for this change, is the Institutional Strategic Plan 2010-2014; our Mission Success.
STRENGTHENING EXTERNAL PUBLIC AUDITING THROUGH ENHANCED RELATION BETWEEN SAI AND INTERNAL AUDIT

Dr. Kun Yang
Chairman of the Board of Audit and Inspection, Korea
Secretary General of ASOSAI

Introduction

As the sheer size and the complexity of public sector work continue to grow, public entities are facing an ongoing challenge of achieving their objectives while operating in accordance with their legal and policy responsibilities. Issues of internal control in the public sector become increasingly complex as governments delegate more and more services to other entities including the private sector. Not surprisingly, since 2000, the emphasis in the public sector reform has shifted from the more general “new public management (NPR)” in the 1990s to the more specific issue of public internal control. This trend has become more evident as the global economy sinks in the turmoil of financial crisis. One of the interim lessons learned from the current global financial crisis is that establishing fiscal rules, sound debt management in particular, is critical in order to meet the immense financing and fiscal challenges. In other words, the benefits of risk assessment and risk management are highlighted one more time, and the potential role of the Supreme Audit Institutions (SAIs) in assessing the quality of risk control systems is reaffirmed again.

INTOSAI has been an active advocate of sound internal control and checking system, emphasizing the importance of internal auditors as SAI's close partner in promoting good governance through contributions to transparency in and accountability for the use of public resources, as well as in promoting efficient, effective and economic public administration. These collective objectives offer a good opportunity for coordination and cooperation between SAIs and internal auditors, through which both of them can improve the efficiency and effectiveness of their own works.

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These collective objectives offer a good opportunity for coordination and cooperation between SAIs and internal auditors, through which both of them can improve the efficiency and effectiveness of their own works. •

The 9th ASOSAI Research Project on the relation between SAI and Internal Audit Unit

Against this backdrop, ASOSAI selected “Evaluation and Improvement of Internal Audit Systems and Relationship between the IAU and SAI” as the theme of the 9th ASOSAI Research Project at the 41st ASOSAI Governing Board meeting held in Pakistan in 2009. This decision was especially meaningful because the audit capacity of the IAU (Internal Audit Units) in many ASOSAI member countries remained immature.

The final report which contained the yield of two-year intensive research was approved by the 12th ASOSAI Assembly held in India in March 2012, and is now available at the ASOSAI website (www.asosai.org).
ASOSAI has carried out research projects to promote gathering and sharing knowledge of and experiences in auditing and related fields pursuant to its Charter since 1985.

The objectives of the 9th Research Project were to assess the public sector internal audit system and the relationship between IAUs and SAIs of the ASOSAI member countries, and to identify the areas to improve. A set of survey questionnaires was developed and sent to the member SAIs and the Ministries of Finance (MOF) of all 45 ASOSAI member countries. A total of 26 member SAIs and 18 MOFs responded to the survey. Good practices were also identified from the country reports contributed by the twelve ASOSAI members who participated in the 9th ASOSAI Research Project—the SAIs of China, India, Indonesia, Iran, Iraq, Korea, Kuwait, Malaysia, Pakistan, Russia, Saudi Arabia, and Vietnam. These good practices as well as other research findings shall contribute to stocktaking best practices and tools for INTOSAI Gov 9150 titled “Coordination and Cooperation between SAIs and Internal Auditors in the Public Sector.”

Internal audit system at the central government level is assessed in terms of governance, organization, standards and review system, human resources and audit services, in accordance with the capability maturity model of the Institute of Internal Auditors (IIA). Also analyzed is the extent of cooperation and coordination between SAIs and IAUs, as well as the barriers to cooperation.

Assessment of Internal Audit System

All the 26 countries that have responded to the survey have their own internal audit function in place. For the 19 non-respondents, it has not been known yet whether they have internal audit function in place. Out of 26 respondents, 16 countries have established their internal audit function based on specific laws, cabinet decrees or MOF regulations, while for 8 countries establishment is through the management decision. A majority of respondents (17 out of 26) answered that IAUs are not sufficiently independent of the Executive. The lack of independence is ascertained by the survey findings that the head of many IAUs are middle management level, that audit committee is not used in all but one country, and that there is no case of legislative funding for IAUs.

As far as the professionalism of the IAUs is concerned, both SAIs and MOFs identified a lack of staff with adequate skills and knowledge in addition to the mere shortage of staff per se as the main constraints to the proper functioning of internal audit. This shortage of audit staff affects the scope of audit services; subsequently, performance audit is carried out in only nine countries. Some IAUs, however, have extended their audit services from the traditional transaction review or compliance audit to performance audit, IT audit and consulting service.

Audit quality is another challenge confronted by IAUs in the ASOSAI region. 14 countries answered that IAUs perform their duties in accordance with the generally accepted audit standards. However, the IAUs of more than half of respondent countries, were not even aware of the IIA standards because they do not have written policies

Lack of a central coordination, policy and/or monitoring unit to oversee internal audits may have acted negatively on the audit quality problem.
and procedures or they have only minimum policies and procedures. Rigorous internal and/or external review mechanism to assure audit quality is in place only in four respondent countries. Lack of a central coordination, policy and/or monitoring unit to oversee internal audits may have acted negatively on the audit quality problem.

**Coordination and Cooperation between SAIs and IAUs**

As the modes of coordination and cooperation, INTOSAI (GOV 9150) suggests a broad range of activities to be implemented throughout the various stages of auditing. They include: regular meetings between SAIs and IAUs, arrangements for information sharing, sharing training material and/or program, audit methodologies, secondment of staff, and collaboration on certain audit procedures over the course of, for example, collecting audit evidence or testing data.

The majority of responding countries reported that SAIs review internal audit reports and/or evaluate internal audit functions. Also, some of them hold formal and/or informal meetings between SAIs and IAUs. Those countries with legal mandate or those countries that hold formal meetings between SAIs and IAUs rate highly the extent of cooperation and coordination at various stages of auditing. One of the barriers to cooperation identified by SAIs and/or MOFs of the majority of the countries is also the absence of legal basis for the cooperation and coordination.

To help internal audit function well, the SAIs of Korea, Malaysia, and Pakistan dispatch their staff to IAUs. Besides, some SAIs offer training facilities to IAUs. The survey result indicated that, though there may exist great differences between countries, SAIs could take certain initiatives to make IAU integral to ensure accountability and good governance. They are:

- Prescribing standards for internal audit duly specifying duties, powers, and independence of the IAU.
- Formalizing modalities for ensuring non-duplication of work through.
- Structured meetings between the SAI and the IAU, enabling better communication and clarity in respective roles.
- Submission of the IAU audit plan to the SAI which could be considered by the SAI before finalizing its own audit plan.
- Planning common/joint training programs.
- Ensuring formal structure which enables cooperation between the SAI and the IAU.

**One of the barriers to cooperation identified by SAIs and/or MOFs of the majority of the countries is also the absence of legal basis for the cooperation and coordination.**

**Concluding Remarks**

Independence principle as a prerequisite of public auditing does not mean that an external audit should go all alone. On the contrary, the SAI exists only as a vital part of overall governance and accountability arrangements. Internal accountability arrangements need to be explicitly recognized when modernization of public sector governance is attempted. Cooperation and coordination between SAI and IAUs should be seen, therefore, as a great opportunity to improve the effectiveness of auditing as pointed out in the INTOSAI Gov 9150.

The 9th ASOSAI Research Project is an example of such attempts made recently in this respect. It provides a snapshot of the situation in the ASOSAI region by examining how well internal audit function is working and, in particular, how well it works with SAIs. In almost all the countries, improvements are required in all core elements, from ensuring independence, providing legal mandate, and improving audit quality, to providing sufficient audit resources, such as budget and staff. Another interesting finding is that most countries lack central policy units for internal audit, which gives additional urgency on SAIs to take leadership in their respective relations with IAUs. Given the fact that IAUs lack expertise and resources in auditing, the SAIs in the ASOSAI region should play more active role in establishing an internal control system. If necessary, they may form a partnership with their respective MOF in this endeavor. Those countries that have best practices can share with their ASOSAI peer SAIs their experience and help them develop the internal control framework as well as internal audit standards.

Although this Research Project has provided a good foundation for understanding the current status of the internal audit system and the relationship between IAUs and SAIs in the ASOSAI region, more research should be done on this topic. So, I would like to conclude by suggesting further work that needs to be done for enhanced relation between the SAIs and the IAUs. First of all, the SAIs need more information to have complete
understanding of the internal audit system. They also need detailed information on the following subjects so that they can fulfill the required roles of advisor and supporter for public sector internal auditors in addition to that of controller or supervisor:

- Developing internal audit standards and guidelines for internal audit practice.
- Ensuring that a risk management system is in place vis-a-vis an internal audit plan.
- Enhancing professionalism of internal auditors.
- Systemizing the areas identified for cooperation between the SAI and IAUs.
The sustainability of a state’s policy and the provision of good governance have always been the fundamental conditions of an effective state mechanism. However, it seems that a number of national governments have realized the meaning of these terms and the importance of their implications in life only due to the rapid economic downturn that many countries have been forced to experience within the recent years. It has been the fortune of those nations, whose governments have ensured sustainable state policies. A fortune because these countries have had the concepts in place to timely comprehend the price of sustainability and have worked for decades to develop sustainable state financial systems even prior to facing the consequences of financial crisis. The development of such systems prepares a country for financial downturns and is capable of protecting its citizens from the repercussion of such downturn as much as possible.

Sustainable state policy and good governance are the most essential mechanisms, the preconditions of a state’s efforts towards the achievement of its goals. These two elements cannot be separated, but it is also impossible to discuss them without looking at the state system as a whole. Simultaneously with the provision of good governance principles, it is of great importance to clarify whether the state has determined or asked itself such fundamental questions as: “What is the objective of the country?”, “On whose behalf does the state need to ensure financial sustainability and good governance?” Many efforts of the State Audit Office of the Republic of Latvia in the recent years have been devoted to achieving actions in this respect on the national level. The state needs to clearly define its objectives to be fulfilled, it has to realize the results to be achieved and the necessary resources for accomplishing these results. It is substantial to finally develop the state governance structure in accordance with the goals to be achieved, strictly determining the responsibilities and competences.

If every person within the public sector works like a tiny detail in a joint mechanism, which operates jointly, interlinking with other elements of the mechanism, the public administration is able to work like a clock that shows accurate time. However this is possible only if the mechanism precisely performs the entrusted functions and thus achieves the objectives put forward. Every tiny detail in the mechanism shall be aware of what it is doing and why, as well as what the objective of its operation is. In turn, the clockmaker shall know what components need to be there and which may be unnecessary—we should not add fancy decoration on the clock—it is essential that the clock keeps accurate time. If accurate time is not displayed, this indicates that the public administration is not working sufficiently enough and in accordance with the objectives put forward. And, just as we see that the time is not displayed accurately, we can search for the reasons why a particular objective is not achieved—it may be incompetence of employees, lack of professionalism or administrative capacity, or personal interest and other reasons. Altogether it is very important to justify any action the government performs with a clear strategy and objective, which in turn makes it possible to assess adequate need for resources and perform predictable utilisation supervision and control, thus diminishing
corruption risks in the public administration. To achieve this, the government primarily must implement a policy that focuses on specific results.

The necessity for supreme audit institutions to set themselves as the safeguard of state’s financial sustainability and maintenance of good governance principles within public administration is obvious. Whatever the question of each audit conducted is, the fundamental objective of all audits is to detect the value for money of the actions performed within each particular sector. In other words—whether the actions taken and the resources utilized have been in the most efficient and effective way according to the interests of society. This is the point at which the problem evolves—how to evaluate whether the actions taken in achieving the objectives have been effective, if there is no uniform strategy in the country with clear goals and objectives and resources detected for their achievement. Therefore, the State Audit Office has carefully and consistently been working over the recent years to attain that its opinion on this matter is heard and listened to. But to achieve this, it has been a strategic and vital step for the supreme audit institution of Latvia to itself develop as a strong and respected institution.

This is the point at which the problem evolves—how to evaluate whether the actions taken in achieving the objectives have been effective, if there is no uniform strategy in the country with clear goals and objectives and resources detected for their achievement.

One of the major practical achievements in recent years in this direction has been targeted work on the development and implementation of a quality management system within the State Audit Office. It is important to point out that State Audit Office’s quality management system has been developed on the basis of its mission, vision, values and objectives. The system created aims to document the State Audit Office’s operations, indicating the sequence of its processes, their interrelationships, employee collaboration and accountability, thus ensuring the continuous supervision of auditing quality control and facilitating the overall development of the Office’s activities. The task of the quality management system is to ensure that every employee understands and works in compliance with regulatory measures, and is personally responsible for accomplishing his/her work duties and ensuring its quality. The head of each structural unit is responsible for: the qualitative performance of the duties and the management of the unit, compliance with the Office’s requirements, the identification of non-compliances in the working processes of the unit, and the introduction of operational improvements. It is substantial that after the implementation of the system it is to be analyzed and the actions of the State Audit Office are to be continuously assessed and reviewed. Thus the system will ensure that the processes that take place are in appropriate quality, the labour stability is ensured, the operational efficiency of the Office is facilitated, and the actions taken correspond to the needs of the Office.

Since our mission is to conduct audits, a very important role is devoted to ensuring audit quality. In order to ensure such quality and to make sure that the auditors carry out audits in accordance with international auditing standards and ethical norms, the State Audit Office carries out audit quality control, which can be classified according to several stages:

- Audit quality control during the audit (hot review).
- Quality control of closed audits (cold review).
- Quality improvement measures.

The audit quality control during the audit is performed by audit departments during all stages of the audit, thus ensuring a timely identification of deviations and errors. During each particular audit stage the audit department director and sector head evaluates the performance of the auditors, the options to reduce audit risks and the audit quality improvements for the future. In order to assess compliance of the audit with the methodology of the State Audit Office and the requirements of the international auditing standards, as well as to identify best audit practice and the necessary improvements of the audit methodology, once a year a cold review or a quality control of a closed audit is performed. Quality improvement measures are provided by the Audit and Methodology Department and the Legal Division. To ensure that the audit plan is legally correct and accurate, as well as to ensure that the audit report is in accordance with the laws and regulations, their examination and inspection is conducted by the Legal Division. To ensure that the audit methodology is properly applied, the audits are examined by the Audit and Methodology Department. As a result, the recommendations for the clarification of audits and consequent improvement of the activities are provided.
By carrying out the above mentioned quality management and audit control measures, supervision of quality control is ensured at all levels and processes and thus a continuous overall improvement of the State Audit Office’s work is provided. The achievement of such level when each audit recommendation can be based on our own good practice and example, has entitled the State Audit Office the moral rights to evaluate the efficiency and effectiveness of resource utilization of any other public authority. It has allowed strengthening the role of the State Audit Office in the country and our duty to the public is to keep this bar. Clear objectives set out in the medium-term strategy, objectives to be achieved as reflected in the annual work plan, but in the centre of all the biggest value of the organization—the employees and their development. These are inseparable elements that have ensured sustainable and efficient operation of the State Audit Office of Latvia.

The principle of the State Audit Office of Latvia has always been that our main values—honesty, effectiveness and transparency are not only words that have been included within our Strategy, but these values and highest moral standards have been the essence of our Office and the basis of our everyday fulfilment of duties. Only by fulfilling our own duties at the highest level of quality and helping the state manage its resources in a more efficient way through our own example, it is possible to expect and hope that the reputation and role of the supreme audit institution can be at such a level, which may guarantee the supervision of processes significant on the national level. The term “good governance” can definitely be equated with such values as honesty, effectiveness and transparency. These values shall be in place in every action performed by the supreme audit institution and any other public authority.

Therefore it is the responsibility of the supreme audit institution to present true and clear information to the general public.

As a result, the recommendations for the clarification of audits and consequent improvement of the activities are provided.

Therefore it is the responsibility of the supreme audit institution to present true and clear information to the general public.
The debt brake was approved by 85% of voters. This strong support from the population contributed significantly to the successful implementation of the debt brake in recent years.

In the space of a few years, billions in deficits led to a sharp increase in debt, which was exacerbated by the funding of federal pension funds and enterprises affiliated with the Confederation.
requires an amendment of the constitution and thus the approval of the people and cantons. In contrast, an increase in expenditure was resolved by parliament, generally by means of a simple majority. This asymmetry of powers tended to lead to budget deficits in the past and a corresponding increase in debt. The debt brake therefore stipulates that expenditure must be based on receipts. Furthermore, there was no willingness to exercise financial restraint during an economic upturn to counter deficits during recessionary phases. There was a lot of pressure to use the additional cyclical receipts to finance new, lasting tasks without foregoing existing expenditure. The result was a series of deficits and higher debt.

With this fiscal policy experience, there was a growing willingness on the part of the government and parliament to impose fiscal policy restrictions on themselves via concrete and effective expenditure rules in order for the good intention to be observed in practice: the debt brake requires expenditure to be linked to receipts when budgeting. Expenditure may be increased only if its financing is secured by additional receipts or corresponding sacrifices, and tax reductions must be accompanied by corresponding spending cuts.

**What is the aim of the debt brake?**

To paraphrase, the aim of the debt brake is to achieve a balanced budget in the medium term and thus stabilise nominal debt. In the shorter term and depending on the economic situation, deficits are permitted or surpluses necessary in order for the economic compatibility required under the Federal Constitution to be taken into account. This feature contributes to a “passive countercyclical” fiscal policy and in the process targets as constant as possible a trend for expenditure and thus task performance that can be planned. Expenditure should not be increased during an economic upturn and then be curtailed during a recession. A cyclical surplus cannot be used to finance expenditure during an upturn.

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**Flexible but effective nevertheless**

The cornerstone of the debt brake consists of a simple rule: ordinary expenditure may not exceed receipts over an economic cycle. The Confederation must generate a surplus during a strong economy, while expenditure may exceed receipts during adverse economic times. In order for a fiscal policy rule to work, it must be stringent and binding; however, it must also allow sufficient leeway to be able to react appropriately to external developments. The debt brake ensures this flexibility by taking the current economic situation into account. Furthermore, the debt brake contains an exemption clause: in extraordinary situations (e.g. natural disasters, severe recessions), it is possible to deviate from the rule and incur extraordinary expenditure. This extraordinary expenditure must be compensated for again in subsequent years. Undue use of the exception should be prevented in this way.

**How the debt brake works**

In the medium term, i.e. over an economic cycle, the federal budget is balanced by using the debt brake. Surpluses have to be managed in boom periods so as to compensate for deficits in subsequent recessions. By and large, no new borrowing is incurred.

**Implementation in practice**

The debt brake is applied to the budget. It restricts expenditure over an economic cycle to the amount of receipts, thereby ensuring that the federal budget is balanced. If its specifications are circumvented when implementing the budget, the regulatory framework contains a clear sanction mechanism: overruns must be fully compensated for. When the accounting results are available, the final figures are checked against the requirements and deviations from the rule are recorded. In a manner of speaking, the so-called “compensation
account” acts as a “memory” for deviations from the debt brake rule. All overruns and underspends relative to the maximum permissible expenditure are recorded and added up in these statistics. This account primarily provides transparency and allows for application of the rule to be checked at all times. The debt brake thus acts in an extremely effective manner.

Sanctions of varying severity are provided for in the event of the maximum permissible expenditure being exceeded. Deficits in the compensation account generally have to be compensated for in subsequent years. A more severe sanction applies if a deficit exceeds the threshold of 6% of expenditure. In this case, the law provides for a binding timetable for bringing the deficit below the threshold once again.

Sanctions of varying severity are provided for in the event of the maximum permissible expenditure being exceeded. The introduction of the debt brake marked the start of a success story as regards fiscal policy. Since 2006, it has been possible to achieve substantial surpluses in the ordinary budget and reduce federal debt by approximately CHF 20 billion. As a result of the reduction in debt over the past few years, around CHF 1 billion can now be saved on interest expenditure, thereby creating the scope for investments and new important tasks. Experience with the debt brake has been consistently positive. The reduction in federal debt has generated substantial savings in terms of interest payments, creating extra scope for other expenditure. The switch from a discretionary fiscal policy to one bound by rules has paid off. Switzerland’s regulatory framework has been meeting with keen interest internationally.

The debt brake has passed three tests since its introduction 2003:

- Firstly, the federal budget was not balanced when the debt brake was introduced, and instead posted a considerable structural fiscal deficit. Thanks to the fiscal rule’s binding requirements, the government and parliament managed to implement relief programmes quickly and consistently.

- Secondly, the debt brake prevented the high tax receipts from years of robust economic growth before 2009 from being used for additional expenditure. Instead, it was possible to build up surpluses and reduce debt.

- Thirdly, during the financial and economic crisis, the debt brake proved its worth also for inclement times. The economically compatible structure of the rule prevented expenditure from having to be cut in the recession when the crisis struck. Furthermore, it provided scope for moderate stabilisation measures.

Tests for long-term credibility

The debt brake enshrined in the Constitution was applied for the first time to the 2003 budget. It prevents structural deficits and thereby an increase in debt. The introduction of the debt brake marked the start of a success story as regards fiscal policy. Since 2006, it has been possible to achieve substantial surpluses in the ordinary budget and reduce federal debt by approximately CHF 20 billion. As a result of the reduction in debt over the past few years, around CHF 1 billion can now be saved on interest expenditure, thereby creating the scope for investments and new important tasks. Experience with the debt brake has been consistently positive. The reduction in federal debt has generated substantial savings in terms of interest payments, creating extra scope for other expenditure. The switch from a discretionary fiscal policy to one bound by rules has paid off. Switzerland’s regulatory framework has been meeting with keen interest internationally.

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As already mentioned, the debt brake described applies only for the federal budget. The cantons and communes are autonomous regarding their fiscal policy. Most cantons have their own formulations for limiting deficits or debt. Furthermore, the cantonal fiscal referendum, which enables the people to vote on new government expenditure, is widely used.

Experience in Europe demonstrates that international rules alone are of little use. Mechanisms that automatically trigger corrections have to be introduced. A supreme audit institution’s task is then to monitor compliance with the applicable fiscal rules. Together with risk-oriented audits of expenditure and receipts in accordance with the criteria of savings, economic efficiency and effectiveness, it can make an important contribution to a sustainable fiscal policy.

Berne, October 2012.
Introduction

The basis of the economics theory is within the question of “how do we satisfy unlimited wants with limited resources?” This question is also valid for public sector and governments. Public sector is confronted with the challenge of meeting the increasing demands with restricted resources. This restriction renders effective use of public resources crucial, since public services have to be sustainable. At this point, Supreme Audit Institutions (SAIs) have a vital role as institutions working for assuring economic, effective and efficient use of public resources. Citizens expect to get the assurance of SAIs for effective functioning of public institutions and thus, the government.

All of these concerns reveal the need for strengthening SAIs so that they can function effectively and appropriately. In recent years, with all the economic problems governments are facing, SAIs’ role in sustaining good governance has become more of an issue. Good governance encompasses several elements such as giving assurance regarding the effective use of public resources, informing public as to the results and outcomes of government objectives and ensuring that public institutions operate in accordance with accountability and transparency principles. In addition to these, fiscal sustainability is also an element of good governance and needs to be considered within the financial management and control system.

Changing role of SAIs in public sector

When it comes to SAIs’ role in public sector, two inseparable concepts come into mind: accountability and transparency. International Standards for Supreme Audit Institutions (ISSAIs) also state that these two concepts are essential elements of good governance. Transparency means providing sufficient information on public activities to enable public scrutiny. Accountability, on the other hand, is about ensuring that the public institutions and their performance are subject to monitoring. ISSAIs define promoting accountability and transparency over public activities as one of the responsibilities of SAIs.

In a globalized world and economy, modern states face the issue of fiscal sustainability besides the requirements of accountability and transparency. In addition to the above-mentioned constraints like restricted resources and increasing demands, there is the constraint for sustaining public services of the same quality. Financial crises that affect the governments make it even more challenging to achieve the objective of maintaining the same level of public service at the same level of quality within reasonable debt limits. Governments deal with the problem of increasing costs of public services and in some cases, cannot achieve objectives within budgetary limits. This problem brings forward the issue of fiscal sustainability.

Supreme Audit Institutions (SAIs) have a vital role as institutions working for assuring economic, effective and efficient use of public resources.

Financial crises that affect the governments make it even more challenging to achieve the objective of maintaining the same level of public service at the same level of quality within reasonable debt limits.
In the most general terms, fiscal sustainability means providing the necessary resources for a specific program, sector or economy in a definite timeframe. It is the ability of a government to sustain its current spending in the long run without defaulting its liabilities or promised expenditures. As it is seen clearly from these definitions, fiscal sustainability is an issue for all modern states, but the critical question is how fiscal sustainability is relevant for SAIs?

As a conclusion of this conference, the participants agreed that SAIs should take a role in ensuring fiscal sustainability, since it is an issue of great importance and needs to be dealt with by an independent and well-respected institution.

The relevance of fiscal sustainability for SAIs is a popular and debated topic especially amongst audit community due to its importance. This topic has been handled in several conferences until now. “Fiscal Sustainability, Presentation of Accounts and Accountability” was chosen as the main theme for EUROSAI-OLACEFS Conference in 2007. In addition, several declarations on this specific subject have been submitted in the International Symposium held as part of celebration of 150th Anniversary of the TCA in Ankara - 2012. As stated in the EUROSAI-OLACEFS Conference in 2007, the increasing importance and technical capacity inherent to the fiscal sustainability practices advise the reinforcement of the SAIs role in different states. As a conclusion of this conference, the participants agreed that SAIs should take a role in ensuring fiscal sustainability, since it is an issue of great importance and needs to be dealt with by an independent and well-respected institution.

SAIs as a safeguard for fiscal sustainability

Acknowledging the importance of the role of SAIs as a safeguard for fiscal sustainability, the question of how to perform this role comes along. This is an issue, which has been discussed for several years, especially after the crises that affected the European countries in 2007. Nowadays, European countries are dealing with a sovereign debt crisis, which made financial sustainability issue even more important.

Since the role of SAIs in ensuring fiscal sustainability is a newly emerging topic, there is not much clarity on the methods SAIs need to apply. It is possible to say that SAIs can function as a safeguard for fiscal sustainability in three co-related ways. First of all, SAIs can monitor the application of budgetary provisions with a results or outcome based approach. To understand this role of SAIs, it would be beneficial to mention about one of the most important reform movements carried out to ensure fiscal sustainability: the transition from cash based accounting system to accrual based accounting in public sector. This change allowed governments to ensure fiscal discipline, accountability and transparency in use of public resources. The reform in accounting system brought along the transition in budgetary systems, which led to adoption of performance-based budgeting based upon determination of aims and objectives and use of public resources in line with these. These reforms in public financial management system basically aimed at effective use of public resources and brought along additional responsibilities for SAIs in terms of ensuring good governance in public financial management. In accordance with these reforms, SAIs are expected to comment on the implementation of public programs and the results and outcomes of these programs for ensuring accountability and transparency, and indirectly act as a safeguard for fiscal sustainability. Such kind of an audit aims at promoting successful implementation of public policies and adding value. In addition, according to their respective mandate, SAIs may warn about the deviations from established objectives and develop suggestions for corrective actions. This would also help governments see the deficiencies and correct them on a timely manner, which in turn, would contribute to ensuring budgetary stability.

The definition of fiscal sustainability explicitly states that sustainability for governments means providing the same level of services in the long run with protecting its solvency level.

Secondly, SAIs can serve as a safeguard for fiscal sustainability through auditing public debt. There is a direct link between fiscal sustainability and public debt. The definition of fiscal sustainability explicitly states that sustainability for governments means providing the same level of services in the long run with protecting...
To overcome this challenge, governments have adopted reforms in public sector, which are still continuing. In line with these, SAIs should also keep abreast of these reforms and adjust their methodologies accordingly.

As noted previously, fiscal sustainability is today a common international challenge. To overcome this challenge, governments have adopted reforms in public sector, which are still continuing. In line with these, SAIs should also keep abreast of these reforms and adjust their methodologies accordingly.

SAIs are responsible for auditing effective, economic and efficient use of public resources and this function is an indirect safeguard for ensuring fiscal sustainability. Each SAI should define its role in promoting fiscal sustainability in their countries. There is no definite method for performing this role but according to current implementations, it is possible to say that it may be performed through three different ways: auditing and commenting on results and outcomes of budgetary policy objectives, auditing public debt and developing recommendations, and auditing and commenting on the effectiveness of internal control systems. These are the methods SAIs may choose to use according to their respective mandate, but, of course, these are neither precise nor complete. Since this is a newly emerging issue for SAIs, it is for sure that SAIs will develop their own methods to handle fiscal sustainability in due course.

In conclusion, SAIs’ role in maintaining fiscal sustainability is crucial for governments. However, the extent and method for performing this role is not definite yet. That’s why it is quite important to share experiences among SAIs to find a common and applicable method to deal with this issue. SAIs should exchange information with their counterparts and continue to share experiences, methodologies and results so that they can serve effectively as a safeguard for fiscal sustainability.
In a present-day world one of the foreground spheres of public economic policy is ensuring financial stability and good governance. So that improper and inefficient utilization, misuse, misappropriation of public financial and material resources, as well as drawbacks and shortcomings in legislative acts allowing illegal use of financial funds are specified as the most risky and problematic areas threatening economic security. The drawbacks and shortcomings in financial control, as well as lack of unitary financial control policy, existence of numerous public control authorities with the same functions and powers and lack of necessary coordination among them, delays in improving control forms and methods preventing possible financial irregularities, lack of essential methodological support defining government’s influence on these processes and other issues further complicate the solution of the problem in different countries.

For this reason, establishing efficient, flexible and operational public financial control system is considered to be one of the significant responsibilities for all countries. Analyses show that the establishment of efficient and effective financial control system is one of the essential factors of statehood besides being one of the key attributes of state’s economic power.

Establishing flexible control system with clear outlines and coverage which defines multilevel budget relations and unitary public financial administration is a necessary element for forming and improving financial-budgetary policies of all countries. From this point of view, defining the place and role of external public financial control or audit, as well as general principles and mechanisms of supreme audit institution’s performance allow coordinating the control on redistribution and utilization of public funds and evaluating intended targets and achieved results in terms of public interest. Precisely these factors define the enhancement of the public financial control system’s efficiency and improvement of its all spheres as public demand and one of the foreground duties for the government. At the same time, the extension of public activity to social and economic fields and thus, operating beyond traditional financial framework serves for the further improvement of external financial control for ensuring efficiency.

Since providing the efficient, transparent and accountable utilization of budgetary funds is always topical for all countries and for all periods, it is especially important to enhance and constantly to improve control in this sphere. Due to the fact that budgetary funds are public funds which generally belong to each citizen, it makes significant impact on its supervision, in particular, on the characteristics of control system in this field, as well as makes it necessary to carry out the control by a special institution which mostly reports to the legislative power rather than an authority which controls the management of the budgetary funds and this leads to the enhancement of the position, as well as the role of Supreme Audit Institutions in the public financial control system.

It should be considered that regardless of its statuary mandate and place in the management hierarchy all SAIs, as they have the right to conduct external public audit, play more or less active role in socio-economic life of their countries depending on their potential.
In accordance with the requirements of modern period transition to financial control principles based on efficiency assessment is one of the important stages in organizing external public audit.

Efficient and effective utilization of budgetary funds, development of reliable financial management, proper organization of administrative activity, exchange of information between public authorities and society through publishing objective reports, from our point of view, are very significant as special goals of external public audit.

Following the requirements of the existent legislation, achieving goals on directing those funds to defined social-economic priorities in utilizing public financial resources, in other words, attaining the expected efficiency in the implementation of expenditures is one of the tasks with the highest priority. It is more topical in terms of control of expenditures covering social spheres. Thereby, considering that the main goal of social expenses is to increase living standards, assessment of these expenses allows the socialization of those expenses along with more efficient utilization of financial resources. In this respect, in accordance with the requirements of modern period transition to financial control principles based on efficiency assessment is one of the important stages in organizing external public audit.

It should be especially noted that on 22 December 2011 the UN General Assembly adopted an important Resolution “Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions” recalling Economic and Social Council resolution 2011/2 of 26 April 2011, resolutions 59/55 of 2 December 2004 and 60/34 of 30 November 2005, as well as UN Millennium Declaration. This historical Resolution notes that efficiency, accountability and transparency of public administration plays an important role in achieving internationally agreed development goals, including the Millennium Development Goals. The document acknowledges that the accomplishment of tasks objectively and effectively by SAIs being independent of the audited entity and protected against outside influence are the key principles in promoting efficiency and accountability in public management.

The Resolution also takes note with appreciation of the Lima Declaration on Auditing Precepts of 1977 and the Mexico Declaration on Supreme Audit Institutions Independence of 2007 and encourages Member States to apply, in a manner consistent with their national institutional structures, the principles set out in those Declarations.

The UN encourages the member states and relevant United Nations Institutions to continue and intensify their cooperation.

At the same time, the UN encourages the member states and relevant United Nations Institutions to continue and intensify their cooperation, including in capacity-building, with INTOSAI in order to promote good governance through strengthened SAIs.

We think that the above-mentioned issues will significantly stimulate the enhancement of financial administration and external public audit, improvement of financial stability and good governance, as well as create conditions for auditing economy, effectiveness and efficiency of public funds and adjusting external public audit to international control principles.
FOLLOWING UP AUDIT FINDINGS AND RECOMMENDATIONS: AN ESSENTIAL STEP TO GOOD GOVERNANCE

Dilyanka Zhelezarova
Auditor in the ECA’s Methodology and Support Unit [1]

The EUROSAI Strategic Plan 2011-2017 provides the framework for supporting staff of member Supreme Audit Institutions (SAIs) in their work, and is based on strategic goals that reflect the needs and priorities of the organisation’s membership. The strategy underlines the use of professional standards and sharing knowledge to further strengthen public sector auditing by promoting accountability, transparency and integrity that are necessary to achieve good governance.

Recent events have highlighted the critical role of external auditing in promoting good corporate governance. The auditor’s task is to comment on the implementation of policies and programmes and to call for any changes that are deemed necessary by indicating what, where and why changes should occur, by means of issuing audit recommendations. Following publication of the audit report and any deliberations by the legislature, the auditee may be required to respond to the SAI or the legislature on the actions it has taken to address reported findings and audit recommendations.

The following looks at the practice of audit follow-up within performance audit, the current practices across some SAIs and the European Court of Auditors’ (ECA) experiences in developing and reporting on its follow-up activities.

What follow-up means (the INTOSAI standards)

In audit literature follow-up is defined as a process by which the auditors determine the adequacy, effectiveness, and timeliness of actions taken by the auditee on previously reported findings and recommendations. The purpose is to facilitate the effective implementation of report recommendations and provide feedback to the SAI, the legislature and the government on improvements in financial management and the effectiveness of audit.

In following up the audit report the auditor should focus on whether the identified weaknesses have been corrected rather than only on whether specific recommendations have been implemented or not. However, while these should be similar, the implementation of the recommendations by the auditee may often be the only readily measurable indicator of change or impact [2].

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Why is follow-up important?

Following up on audit findings and recommendations serves four main purposes:

• It expands the effectiveness of audit reports, by increasing the probability that recommendations will be implemented.

• It assists the legislative and budgetary authorities, by providing updated independent information on financial management which may be valuable in informing their decision-making.

[1] With contributions from her Head of Unit, John Sweeney, and fellow auditor, Csaba Hatvani.

[2] ISSAI 3000 § 5.5
It allows the auditor to assess the impact of its audit work.

It creates incentives for learning and development—following up activities contributes to better knowledge and improved audit practice.

Practices across a number of SAIs

In 2009 the ECA launched a survey of several SAIs with the aim of obtaining their views and experiences concerning the process of following-up audit reports. An analysis of the replies was subsequently presented to the respondent SAIs in a summary report, which addressed the following questions:

- How is the follow-up process organised and which are the main elements of the process?
- What is the scope of the follow-up review and how is this task positioned within the SAI’s main activities?
- What is the outcome of the review and how is it communicated to the auditee and the general public?
- How is the impact of the audit reports (findings and recommendations) measured?

The following provides a non-exhaustive account of the general follow-up methodology of the surveyed SAIs.

It is considered that robust and systematic planning of follow-up tasks is essential for their implementation.

How is the follow-up process organised?

The SAIs plan their follow-up activities as separate tasks or as part of audit tasks planned for the current year. Some SAIs do not follow-up all the recommendations from their audit reports, but apply a risk-based assessment in deciding which audit reports and recommendations are to be followed-up. In these cases, the findings and weaknesses which have the highest impact and/or which pose the highest risk are followed-up.

What is the scope of the follow-up review?

In some SAIs the audit reports are followed up quite regularly, e.g. twice in a period of 2 1/2 years after the publication of the reports. Because of the risks identified and in order to review the progress made by auditees in addressing audit recommendations, once a year a sample of 5 to 10 audit reports would also be followed up more deeply for a second time. In other SAIs a formal follow-up of audit reports is carried out every 3 to 5 years and a collection of ten or more reports are examined in each follow-up process.

Follow-up is carried out by most survey respondents in respect of audit findings which were not being addressed by the auditee, depending on the level of assessed risk. Such follow-ups can lead to a new audit.

According to the surveyed SAIs, the implementation of follow-up generally takes one of two forms: they are included within the scope of current audit tasks or they are carried out as separate audit tasks/ or as follow-up reviews.

How is the outcome and impact of audit reports?

The variety of reporting practices of SAIs identified in this area can be summarised as follows:

- Issuing a specific Annual Follow-up Report with the results of the follow-up activities.
- Issuing a Status Report every two years with the results of the follow-up work carried out.
- Reporting the results of follow-up tasks as a part of the Annual Activity Report.

The content of each of the follow-up reports of SAIs also varies considerably. The different approaches taken by SAIs are as follows:

(I) Quantification of the number of recommendations implemented, as reported by the auditee.

(II) Reporting in qualitative terms on the remedial actions taken in response to recommendations.

(III) Quantification of the number of recommendations substantially implemented four years after they were issued and an assessment of whether the entity made satisfactory progress in addressing the findings and recommendations, given the significance and complexity of the issue, and the time that had elapsed.
Notwithstanding the differences of emphasis between the approaches of the SAIs, their reports on follow-up reviews place the principal emphasis on the auditee's implementation of corrective actions and the results thereof.

**ECA's situation and experience with follow-up and new developments**

The main impact of the Court's work on improving financial management is through its published reports. The Court's “Special Reports” in general, examine systems, programmes and organisations concerned in the implementation of the EU budget (or those of the European Development Funds), with regard to one or more of the three aspects of sound financial management: economy, efficiency and effectiveness.

Assessing and measuring the impact of the ECA's performance audit reports is considered as a necessary element in the cycle of accountability. Furthermore, the very existence of the follow-up process can encourage the implementation of report recommendations by auditees.

In 2010 the ECA updated its methods and procedures for the follow-up of its Special Reports by setting out the context of the activities and the steps to be followed. The objective of the revised follow-up procedure was to improve the ECA's system for systematically monitoring and reporting on how the auditee (principally the European Commission) has addressed weaknesses in financial management, as identified by the ECA's performance audits and addressed in audit recommendations on financial management to the auditee.

**The nature and programming of the follow-up task**

Prior to 2012, the ECA presented the results of its follow-up reviews of Special Reports as observations within its Annual Report, in the chapters relating to the related budgetary areas. In 2010 the decision was taken to re-define and coordinate all follow-up reviews and to present the results in a single report to be published annually from 2012. The follow-up takes the form of “limited reviews” which assess the extent to which the auditee has addressed the audit report, but does not assess the effectiveness of those actions, as this would require a detailed audit enquiry.

This follow-up process also meets the information needs of one of ECA's Key Performance Indicators, which measures the number of audit recommendations (from financial, compliance, and performance audits) which have been accepted and implemented by the auditee.

The revised procedures also provided that separately from the annual follow-up activities, a detailed examination of a specific Special Report could be carried out as an “in-depth” follow-up audit, if considered necessary.

The reports to be followed-up are selected on the basis of two criteria: whether more than two to three years have elapsed for the auditee to address the recommendations, and whether the recommendations are still relevant.

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**Carrying out the follow-up enquiry**

The review is conducted in three stages:

1) The European Commission's management database of follow-up actions taken in response to the Court’s recommendation, is used as a preliminary source of data in respect of the audit reports being reviewed.

2) A documentary review of annual reports, action plans, policy documents, specific reports and their analysis takes place.

3) Oral, written and other documentary evidence is taken from the auditee.

In July 2012 the ECA adopted for the first time the follow-up report on seven Special Reports previously published by ECA. The report consisted of two parts: a summary of
This follow-up process also meets the information needs of one of ECA’s Key Performance Indicators, which measures the number of audit recommendations which have been accepted and implemented by the auditee.

the Court’s review of actions taken by the auditee on 51 recommendations, and individual accounts of the follow-up actions for each Special Report. The review also categorised the state of implementation of the recommendations by the auditee.

Challenges and successes

Auditors carrying out follow-up reviews, particularly of performance audits, are faced with a number of challenges. Firstly, they must apply a high degree of professional judgement in deciding whether the weaknesses originally identified some years earlier have actually been fully or satisfactorily resolved and the extent to which more can realistically be done in addressing the findings and recommendations. Issues of improvements to financial management evolve with time and may be dependent on factors such revisions to regulations and legislation, which take considerable time to implement and which are not within the direct control of the managing services. The recommendations may also be no longer applicable to the new circumstances facing the auditee.

Secondly, the auditees’ and auditors’ focus on specific actions to address audit recommendations may not provide an accurate or full picture of improvements to financial management. And as the selection of reports followed-up will not usually be representative due to their limited number, any general conclusions on the overall implementation of recommendations, should be handled with care.

Some key success factors for a quality follow-up exercise are: a readily available, updated, and reliable database of findings/recommendations and actions; clear follow-up methodology consistently used by auditors; being able to obtain sufficient and reliable evidence, and reaching agreement with the auditee on key/significant remaining weaknesses based on that audit evidence.

Coming to such judgements and understanding requires early and open communications and a frank exchange of views and perspectives between the auditor and auditee throughout the follow-up review process. This dialogue should ensure that a fair and balanced appreciation of the improvements and remaining weaknesses is reported to stakeholders, in the interests of accountability, transparency and integrity, which are the essence of good governance.

Follow-up as a means of assessing the impact of the external audit effort

Ordinary practise among SAIs is to apply performance measurement tools to assess the efficiency and effectiveness of their performance, by means of quantitative and quantitative targets to be achieved throughout the audit process and of the final product, the audit report.

The need to measure the results and efficiency of audit services is recognised by the ECA in its Audit Strategy 2013-2016, where it commits itself to “...updating its performance indicators for measuring, monitoring and communicating on the implementation of its strategy and performance as an institution”.

Along with an assessment of ECA’s products by external experts and stakeholders, an important indicator for the ECA is the impact achieved from its Special Reports and the results of reviewing the follow up given to the reports and opinions, as measured by the actions taken by auditees in response to its audit reports. The quantification of financial management improvements resulting from SAIs audit work is an aspiration of many SAIs. Developing a robust and effective follow-up process for audit reports is the keystone to such an endeavour.

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The yearning for transparency in State management and finances has grown during the last few years: it represents both a democratic and economic need. First of all, “an independent external control is a democratic necessity” recently highlighted the First President of the French Court of Accounts: the use of public resources must be controlled independently and transparently. Moreover, in the wake of the recent economic and financial crisis, citizens, often asked to make substantial efforts to fight the debt crisis, as well as financial markets, remain observant for signals coming from the States: information must be reliable and objective.

External public auditing: a necessary tool usefully complementing internal auditing

The strengthening of public auditing—external or internal—is a challenging task that aims at fulfilling this demand for public entities’ transparency and responsibility. The roles of external and internal audit may seem redundant at first sight but one should bear in mind their differences. In fact, some countries could see a way of saving funds in merging external and internal public audit offices: they would be dangerously mistaken and jeopardize democracy.

In fact, internal and external controls are complementary and must be carefully distinguished. Their co-implementation contributes to frequent and rigorous control of public entities: they are necessary tools for financial sustainability and better governance.

Internal controls are aimed at verifying that the following objectives are being achieved: (a) executing orderly, ethical, economical, efficient and effective operations; (b) fulfilling accountability obligations; (c) complying with applicable laws and regulations; (d) safeguarding resources against loss, misuse and damage [1].

These aims are ambitious—some would say hardly attainable—internal controls can’t pretend to absolute independence—they depend on Government—and therefore can’t pretend to map out a global vision of State entities’ efficiency and effectiveness.

This is the main reason why external control is necessary and complementary. Unlike internal audit services, “external audit services are not part of the organizational structure of the institutions to be audited” [2]. However, they are not absolutely unrelated since SAIs have the task of “examining the effectiveness of internal audit” [3] and their aims are very similar to the internal audit offices’ mentioned above.

The whole meaning of external public auditing is based on one main principle: independence. SAIs must be wary of preserving their independence with regard to the three powers (legislative, executive and judiciary), thanks to international standards and ethical principles. The recent UN Resolution A/66/209 concerning the independence of SAIs [4] raised consciousness in several countries and hopefully led to the implementation of measures reinforcing independence. Initiating these measures is a tricky exercise insofar as independence does not...
imply a total absence of interaction with the executive and legislative powers: instead, SAIs have to better cooperate with them in order to achieve their aim of good governance.

Finally, external public auditing is the privileged way of promoting transparency and responsibility of State entities. In fact, coordinated and reliable information must be broadcasted by SAIs to supply the democratic need for transparency. SAIs controls can lead to consistent recommendations and, sometimes, to penalty procedures. The latter point shouldn’t be neglected. Since penalty procedures differ from a SAI to another, with various results—depending in particular on their proximity to the judiciary power and to the legislative power—, EUROSAI must foster knowledge sharing and reflection on the public audits’ follow-ups.

The French Court of Accounts has taken major steps in upholding several principles

Independence and objectivity: guarantees of quality and impartiality

As pointed out by François Hollande, President of the French Republic, “the Nation needs independence and impartiality for democratic control”. These are a sine qua non for an effective external control. The equidistant position with regard to the executive and the judiciary powers is one of French Court of Accounts particularities. The status of its members also strengthens the independence: they are magistrates and their appointment is irrevocable.

The whole meaning of external public auditing is based on one main principle: independence.

Several measures have been taken in the recent years so as to achieve the objective of independence. Freedom of planning remains guaranteed: audit annual programmes are debated and decided each year in a committee gathering the Presidents of the Court. However, the Parliament can also ask for a few annual reports on specific topics. Since 2006, the budget of the Court has been associated with the budget of the Prime Minister, and does not depend anymore on the budget of the Ministry of Economy: a fair negotiation takes place every three years involving the Court, the Parliament and the Government. The Court decides on its organisation and on the allocation of its budget without any external interference.

The autonomous organisation of the Court of Accounts is based on collegiality and contradiction, in a constant search of objectivity. The court is not ruled by a single head but by seven Presidents—each of them chairing a Chamber working on precise sectors—and a First president. Decisions are taken when the members of the Court or the Chamber concerned are gathered. Moreover, each report is followed by a “counter-rapporteur” in charge of verifying each statement. The quality control process is also ensured by the General Prosecutor’s office at each step of the procedure.

Responsibility, information and transparency: a democratic duty

Responsibility of the public entities is an important value to achieve better governance. Here is one the main particularity of the French system: the Court of Accounts, judging public accountants, and the Court of Budgetary and Financial discipline (that is linked to her and that is able to prosecute public managers) are jurisdictions. Their members are magistrates and have the ability to judge misappropriation. This ability was enhanced in 2011 concerning the public accountants: the financial penalties imposed to the accountant now depend on the severity of the misconduct, and are not mechanically equal to the amount in consideration lost by public authorities. Moreover, the jurisdictional framework is still evolving and a current reflexion is led on a new penalty system for the authorising officer—most of the time a minister—: a system balanced between impunity and abusive prosecution is to be implemented.

Permanent efforts are made to achieve the information duty towards the citizens. Precisely defined cooperation between the Parliament—often through its Finance
The French Court of Accounts contributes for example to important policies concerning decentralization or Social Security through controls and surveys focusing on very specific matters: it can therefore uncover precious data for Parliament and Government. ■

Commissions—and the Court strengthens the efficacy of its work. The French Court of Accounts contributes for example to important policies concerning decentralization or Social Security through controls and surveys focusing on very specific matters: it can therefore uncover precious data for Parliament and Government. Public reports and press conference guarantee the citizens’ direct access to the work of the Court of Accounts.

In order to foster financial sustainability and transparency, the role of the French SAI in external auditing was strengthened during the last decade and new prerogatives were added: the Court of Accounts now certifies State’s (2001) and Social Security’s (2005) accounts. Attesting the seriousness and the importance of the Court, a recent declaration of the President of the Republic revealed the establishment of a “Haut Conseil des Finances Publiques” (High Council of Public Finance) broadening the Court’s scope of action. This new Council would be concerned with finance laws and would be aimed at approving macro-economic assumptions, verifying the respect of announced objectives and their regular and due implementation. It would also contribute to assess the balance State’s budget so as to achieve European standards [5]. The council would be hosted by the Court of Accounts, chaired by its First President and composed in addition by four magistrates from the Court, appointed by the First President, and four qualified personalities, appointed by the President of the Parliament.

External public auditing contributes to a better understanding of public finance through its complementarity with internal auditing and the continuous enhancement of fundamental principles. The French Court of Accounts focuses on the quality of its reports and the usefulness of its work: it fosters independence and objectivity as well as information, transparency and responsibility. These measures find their place in a general trend concerning European SAIs in particular: they tend not only to be a corrective instrument but also to guarantee financial sustainability and good governance in a decisive political and economic situation. ■

[5] In particular the 2012 European Fiscal Pact, soon to be ratified in France, establishing a “balanced budget rule”. 
Over the last 15-20 years, the rethinking of the scope of state tasks and public services as well as their financing, maintenance and operation has become an issue of urgency on a global scale.

One direction of the search for solutions was the application of market mechanisms in the public sector, and on a related note, the cooperation of the public and private sectors and the harmonisation of their activities. The relevant audits of the State Audit Office of Hungary (SAO) were primarily aimed at the Public Private Partnership (PPP) schemes that were becoming increasingly common in Hungary as of 2003 and which represented a partnership of the public and private sectors. This is why we will now share our findings, observations and conclusions on this issue.

Short-term benefits, long-term costs

The spread of this scheme in Hungary is primarily due to the fact that PPP projects hold out the prospect of several short-term benefits. Even though the long-term disadvantages have also become apparent to all, it seems that prior to 2010, decision makers hardly took non-immediate costs into consideration.

Some of the most important expected benefits of the PPP scheme include sparing the budget, and on the other hand, stimulating investment. From the aspect of the state budget, one of the most positive features of PPP contracts is that they enable the decrease of government expenditures incurred at the start of investment projects. This means that projects can be launched without impacting public debt, which is becoming an increasingly difficult problem in several countries.

In Hungary, the application of these new forms of development-oriented cooperation between the public and private sectors was made possible by a government decision announced in 2003. The first conscious government application of the PPP scheme—on the basis of several government decisions and National Assembly resolutions from 2003 and 2004—first appeared in the 2005 draft budget. The magnitude of investments implemented as PPP is well illustrated by the fact that in 2005 motorway, prison and student dormitory construction represented a net present value of EUR 1.86 billion which was more than 2 per cent of the gross domestic product (GDP) at the time.

On the state side, the domestic application of the PPP scheme was helped along, on the one hand, by a

significant need for development convergence, and on the other, by the scarcity of budget resources and current budget deficit. In the case of the local government sector, which was also affected, the true appeal of PPP was that central funds (funds from the central budget or from the European Union) or funds available from local government revenue were generally insufficient to implement the planned investment projects of these local governments. In summary, therefore, we could say that this particular form of financing and operation spread, because it allowed for development to make only its benefits felt in the short-term, with the bill to be paid later.

The “golden age” of this financial scheme in Hungary was between 2003 and 2009. In this period, developments implemented in PPP mode covered a wide area.

From motorways to local government sports developments

The "golden age" of this financial scheme in Hungary was between 2003 and 2009. In this period, developments implemented in PPP mode covered a wide area. Of these, we should mention the motorway and prison construction projects, the construction of the Palace of Arts (MUPA), the infrastructure development and dormitory investment programme of higher education as well as the sports facility development programmes of local governments. The investment projects mentioned above also varied greatly in terms of cost requirements; the largest cost items were those of motorway construction, while the smallest the construction of sports facilities.

The year 2010 brought about a fundamental change in connection with public and private sector partnerships, as this was the year when the government stopped subsidising the PPP contract scheme and from this point on no new PPP scheme investment projects commenced in the country. This, however, did not mean that PPP vanished from the Hungarian public finance system entirely, as investments realised earlier, due to their long-term of typically 15-30 years, continue to incur central budget expenditures of EUR 0.4-0.5 billion every year.

In Hungary, the most widespread form of PPP schemes—and as a result the one the State Audit Office of Hungary encountered most frequently—involves the private company not just planning, implementing and operating the infrastructure, but also financing the project. This is significant because in these cases public finance exposure is greater, and subsequent costs may be higher. In most cases, the primary purchaser of services offered in a PPP scheme was the government, and this was typically realised in one of two forms. One of these was when the purchaser and user of the service was the public sector (for instance the construction of a government building), the other being when the service was in fact ordered by the state, not for itself, but for a well-definable end-user group (such as the construction of schools or development of education infrastructure).

Given the nature and legislative authorisation of its work, SAO typically conducts audits after the fact, that is it assesses the projects after investments are completed. As a result, in the case of PPP projects, audits performed by the audit institution primarily focused on preparation, the assessment of legal and organisational background and project implementation, i.e. the management and implementation of public procurement projects.

Below we shall present the experience gained from audits performed by the State Audit Office of Hungary in five areas. SAO paid particular attention to motorway construction between 2007 and 2010, as these not only represented the largest amount among PPP projects, but also the greatest public commitment by the state. The State Audit Office of Hungary audited the professional preparation of prison construction projects for the period 2001-2004. The Palace of Arts project, realised through the cooperation of the public and private sectors, was first audited by the SAO in 2006, while the dormitory investment programme of higher education was audited in 2007. At this point, audits were basically aimed at the preparation and implementation of the programmes, and in 2011, in connection with this, the development and dormitory investment programme of higher education was audited, also focusing on the Hungarian practice of PPP.

General experience and conclusions

What were the main findings and what general conclusions can be drawn from these audits?

One of our most significant findings in the case of practically all audits was that schemes were not prepared
adequately and with due diligence. The State Audit Office pointed out the poor risk sharing between the state and its private partner on several occasions as well as occasional late performance and unjustified overpayment. In practically all cases, the state was adversely affected by this imbalance, and it was typical of contracts that most of the profit was directed to the private partner, while the state was left to bear the majority of the risk, and all costs thus incurred had to be borne by the budget.

The reports of the various audits also highlighted that the selection of PPP schemes over traditional state investments was fundamentally not due to the benefits shown by cost-benefit analyses, but almost exclusively to taking the aspects of the budget of the given year into account. This meant that in many cases these projects were not actually cheaper than they would have been with a classical form of state investment, and decision makers only selected it because it was the scheme that had the least impact on the budget and deficit of the given year. Unfortunately, however, this mentality and method of decision-making had and still have serious and adverse medium and long-term repercussions for the entire system of public finances, with the associated costs being paid by taxpayers to this day.

Our audits also clearly showed that the areas concerned exhibit serious regulatory shortcomings. In connection

<table>
<thead>
<tr>
<th>Subject matter of contract</th>
<th>Planned direct budgetary payment per year (EUR million) [1]</th>
<th>Altogether</th>
<th>Last year of contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation of certificate office branches (hiring appliance)</td>
<td>38.9</td>
<td>14.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Complex, centralised one-channel production of documents</td>
<td>24.9</td>
<td>27.3</td>
<td>19.0</td>
</tr>
<tr>
<td>Provision of backbone network services</td>
<td>4.3</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Prison PPP</td>
<td>41.5</td>
<td>14.1</td>
<td>14.2</td>
</tr>
<tr>
<td>Establishment and operation of monitoring system</td>
<td>18.9</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Dormitory PPP</td>
<td>32.9</td>
<td>8.1</td>
<td>8.0</td>
</tr>
<tr>
<td>Dormitory PPP</td>
<td>141.4</td>
<td>52.1</td>
<td>52.5</td>
</tr>
<tr>
<td>Expenditures related to hiring respirator, anaesthetic apparatus and monitor</td>
<td>19.0</td>
<td>4.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Expenditures related to hiring equipment for emergency medical flights</td>
<td>12.6</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Gymnasium and training swimming pool PPP</td>
<td>11.3</td>
<td>7.6</td>
<td>6.9</td>
</tr>
<tr>
<td>Kiskunfélegyháza sports hall PPP</td>
<td>0.5</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Contribution to the operation of the Palace of Arts</td>
<td>146.6</td>
<td>35.3</td>
<td>39.0</td>
</tr>
<tr>
<td>Operation of a Single Digital Radio Telecommunication System</td>
<td>0.0</td>
<td>22.5</td>
<td>45.9</td>
</tr>
<tr>
<td>M5 motorway (Budapest-Röszke) concession</td>
<td>757.1</td>
<td>132.9</td>
<td>138.2</td>
</tr>
<tr>
<td>M6 motorway (phases I.-II.-III.) concession</td>
<td>3314</td>
<td>220.7</td>
<td>210.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1581.1</td>
<td>546.1</td>
<td>548.0</td>
</tr>
</tbody>
</table>


- **SAO paid particular attention to motorway construction between 2007 and 2010, as these not only represented the largest amount among PPP projects, but also the greatest public commitment by the state.**
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With prison construction, we have stated very firmly that due to regulatory deficiencies and problems, significant excess risk could be generated even in the preparatory phase of PPP projects, which risks would have to be borne by the state.

It was characteristic of the majority of Hungarian PPP projects that decisions and contracts on the application of the scheme were made and entered into even before the necessary legal background and procedural rules were established. In its audit reports, the State Audit Office of Hungary every single time very clearly called attention to the resulting risks, and called for the completion of regulatory work, without which we cannot even talk about the basics of responsible, effective and efficient public fund utilisation in connection with these projects.

The management of projects, the operation of facilities and the appropriate quality and level of services can only be properly audited and assessed years after the completion of the investment project, having gained sufficient experience. The SAO audit published in July 2012 on PPP was the first audit, where an opportunity was provided to focus on project operation and management. We sought to answer whether the economy of public fund utilisation was ensured when the contractual terms of the PPP projects were complied with, whether operation was performed with the content contained in the contract and ensuring the economy of public fund utilisation, and whether the social use of the utilisation of public funds was ensured. As part of this audit, the SAO re-audited the Palace of Arts project as well as the dormitory investment programme of higher education, as during the earlier audits, no sufficient information and experience was yet available to make a substantiated assessment of the performance of contract content, the quality of service provision or the social utilisation of the projects.

According to the lessons learnt during the audits of the dormitory investment programme and the Palace of Arts project, even though utilisation/visitor numbers were overall acceptable, the contractual terms and conditions did not ensure the enforcement of state interests. In the case of the Palace of Arts for instance, the contract did not specify the precise service parameters required, which meant that in case of inappropriate service provision, the incentive effect of sanctions was limited. We showed that the lump-sum, flat rate type operating fees make it impossible to assess the economy of partial tasks, and that the obligation to finance the renovation of assets beyond restoration to their original state and modernisation is a significant additional burden for the state. In the case of the dormitory investments, pursuant to the contracts, the institutions of higher education bear the majority of the financial risk (exchange rate, interest, inflation), which represents a significant additional burden on the commissioning state-owned institutions due to the adverse economic trends. Also not serving client interests was the contract provision, according to which, in the case of erroneous or incomplete performance, the deduction shall not be made from the total fee, but only from the operating fee.

Conclusion

During its audit covering PPP projects, the State Audit Office of Hungary determined that the contracts of investments realised as such schemes violated the public interest in several aspects. In many cases, the conditions failed to enforce the interests of the government as the customer, and in turn, of society. Our experience was, therefore, rather distressing, however, this does not mean that we do not see the possibility of cooperation between the public and the private sector. Under control public fund management requires that calculations also extend to long-term impacts, and that the assertion of state interests be at least as strong as the assertion of private interests. In the meanwhile, public assets should not be viewed as unused, but as production-generating capital, and public funds should not be viewed as expenditures, but as investments.

Under control public fund management requires that calculations also extend to long-term impacts, and that the assertion of state interests be at least as strong as the assertion of private interests.
I. The Principles of Transparency, Budgetary Stability and Financial Sustainability in Spanish Legislation

Since its original formulation by article 5 of Act 18/2001, of 12 December 2001, the principle of transparency has been joined to that of budgetary stability [1], a tie which was maintained in the new wording of the provision given by Act 15/2006, of 26 May 2006, which was transcribed in the Revised Text of the General Act on Budgetary stability [2].

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In comparison with what has been the rule in Spanish constitutional history, the 1978 Constitution has been characterised by its longevity and by its stability, to the point that it has only undergone two reforms: the first, in 1992, in order to grant aliens the right to vote in municipal elections; the second, in September 2011, with the aim of guaranteeing the principle of budgetary stability, which was thus constitutionalised in article 135 in the form of a mandate directed at the Public Administrations for them to bring their actions into line with that principle.

[1] According to this provision, “the budgets of subjects included within the scope of application of this Act and their settlements must contain sufficient and adequate information for allowing verification of compliance with the principle of budgetary stability”.

[2] Approved by Legislative Royal Decree 2/2007, of 28 December 2007, and later repealed by Organic Act 2/2012, of 27 April 2012. In its new wording, the provision stated as follows: “The budgets of subjects included within the scope of application of this Act and their settlements must contain sufficient and adequate information for allowing the verification of the adaptation to the principle of budgetary stability, along with compliance with the objective of budgetary stability and observance of the obligations imposed by Community rules on the subject of national accounting”.

Spain was the pioneer in this latter reform since it brought forward the requirement—including later on in the Treaty on Stability, Coordination and Governance in the European Union, of 2 March 2012—to incorporate the stipulations of that Treaty on budgetary stability, deviations in time from the medium term objective in exceptional circumstances and corrective mechanisms into the internal code of laws by means of provisions that are permanent and having binding force, preferably at the constitutional level.

In compliance with the contents of that constitutional provision, Organic Act 2/2012, of 27 April 2012, has developed and regulated, among others, the principles of budgetary stability [3] and of sustainability financial [4], as well as of transparency. The last of these is tied to the first two in that it leads to the requirement that the accounting and budgets of the public sector should contain sufficient and adequate information for allowing the verification of the financial situation, compliance with the objectives of budgetary stability and financial sustainability and observance of the requirements agreed in the European regulation.

II. Auditing of the Compliance with these Principles by the Court of Audit of Spain

In its audit programme for 2010 the Court of Audit included the production of a report on compliance with the principles of transparency set down in the legislation

[3] Understood as “the situation of structural equilibrium or surplus”, in the case of Public Administrations and of “the position of financial equilibrium”, in the case public corporations, companies and other public law bodies. According to article 3 of Organic Act 2/2012, of 27 April 2012, this principle does not just concern the drawing up, approval and execution of budgets but also extends to other actions affecting revenues and spending.

[4] Defined as “the capacity to finance present and future spending commitments with the limits of deficit and public debt, as set down in this Act and in the European regulation”. The background to this formulation is to be found in article 32.1 of the Sustainable Economy Act 2/2011, of 4 March 2011.
In its audit programme for 2010 the Court of Audit included the production of a report on compliance with the principles of transparency. In this paper budget transparency is defined as “the complete disclosure, with the principles of transparency. Production of a report on compliance. The Court of Audit included the audit programme for 2010 in its audit. As a result of the said regulating framework as a consequence of the future passing of the Transparency, Access to Public Information and Good Government Act [6], the Draft Bill of which was approved by the Council of Ministers on 27 July 2012 and whose content, though it goes beyond the strictly economic-financial field, nevertheless includes provisions concerning the publicising of information relating to acts of administrative management having economic or budgetary repercussions.

Although neither the new wording of article 135 of the Spanish Constitution nor Organic Act 2/2012, of 27 April 2012, expressly mentions the Court of Audit, the competence for auditing the application of the principle of transparency is granted to it by the constitutional attribution of competencies for carrying out the auditing of the economic management of the public sector (article 136 of the Spanish Constitution), as well as by an interpretation of article 9 of the Organic Act of the Court of Audit adapted to the current social reality, as set down by article 3 of the Civil Code, which allows that principle to be added to those of legality, efficiency and economy, to the subject of which the auditing role must refer, by imperative of this provision [7].

Nevertheless, it must not be forgotten that, in spite of this, the auditing action of the Court was not, in this situation, that of peaceful acceptance [8], in such a way that it would be very advisable for any doubts that might exist regarding the scope of competence of the Court of Audit for exercising its role in compliance concerning the principles considered in Organic Act 2/2012, of 27

The new regulating framework, deriving from the reform made of article 135 of the Spanish Constitution and of Organic Act 2/2012, of 27 April 2012, would make it advisable for the Court of Audit to continue to play a role in audit activity on the principle of transparency, taking special account of its connection with that of financial sustainability. The appropriateness of acting in this direction can also be advised due to the possible extension of the said regulating framework as a consequence of the future passing of the Transparency, Access to Public Information and Good Government Act [6], the Draft Bill of which was approved by the Council of Ministers on 27 July 2012 and whose content, though it goes beyond the strictly economic-financial field, nevertheless includes provisions concerning the publicising of information relating to acts of administrative management having economic or budgetary repercussions.

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[5] In this paper budget transparency is defined as “the complete disclosure, in the appropriate manner and systematically, of all the pertinent economic information” (see Best Practices of the OECD for achieving budget transparency, in the International Journal of Public Budget N° 58, 2004; www.asip.org.ar/es).


[8] The then Ministry of Economy and Finance, with the support of an opinion from the State Legal Services, maintained that the Court of Audit lacked competence for carrying out the said audit on compliance with the principle of transparency, an opinion shared by five Accounts Councillors who formulated private votes on the Agreement by which the report was approved.
The challenge that the Court of Audit will have to face is focused on the systematic control of compliance with the three principles stated in the phases of drawing up and settling of budgets, along with control over the reliability of the information contained in the accounts being rendered.

April 2012, to be dispelled by means of regulations. Independently of this, it is not idle to state out that during the Motion on improving the legal regulation on the duty of collaboration with the Court of Audit in the exercise of its auditing role, approved by the Plenary Meeting of the Court on 24 February 2011, various regulating modifications were suggested, among which appeared one aimed at directly providing the Court with data on the level of debt of all the Public Administrations and their dependent bodies, which is directly related to the principle of financial sustainability, as revealed from article 13 of Organic Act 2/2012, of 27 April 2012, which regulates the implementation of this principle.

In any case, the new legal framework aims to respond to an economic-financial scenario characterised by a considerable complexity. The challenge that the Court of Audit will have to face is one of notable scale for that reason and would have to be focused on the systematic control of compliance with the three principles stated above in the phases of drawing up and settling of budgets, along with control over the reliability of the information contained in the accounts being rendered and their impact on the quantification of the capacity or need for financing and of indebtedness, in accordance with the EU rules on the subject of national accounting.
1. Good Government

The organisation of men is sometimes faced with the terrible dilemma of choosing one of the two pillars of social life: Justice or Order, with the certainty that one excludes the other and with the evidence that error in the execution of the former is socially rectifiable but, as far as the second of the pillars is concerned, even a right decision ceases to be so if it generates disorder. It could be said that Justice can and must be blind but the Governor waits to see the consequences of his decisions, moving between the narrow confines which cowardice imposes on prudence and recklessness on bravery.

For some, injustice is preferable to disorder; for others, all actions referring to the rights of other men whose principles do not withstand being published are unjust.

Order, publicity, right and criticism of public actions are essential elements of the social organisation proper to advanced democracies, and properly speaking they are all nothing other than a system which facilitates the knowledge of public management. Habitually running up against this ethical principle with an opposing inertia is bureaucratic government which, by virtue of its same tendency, is government that excludes publicity.

We thus arrive at governance and, within it, Good Government, conceived as a question of voluntary arrangements for self-regulation, in the manner of an ethical commitment of the Public Administrations, which seek to guarantee an efficient, integral and transparent management in the public administration with the aim of generating confidence in the internal and external publics towards the state body.

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Even though it is sometimes forgotten, at the source of our social organisation is the consideration that one who is not interested in public affairs and who takes part in them is not so much inactive as useless, and this participation requires knowing, it requires transparency in management, access to the technical documents that evaluate it and—why not say so—clarity and simplicity in those documents which make them comprehensible to whom, indeed, are their true recipients: the citizens.

This ethical and legal principle habitually runs up against an opposing inertia, introduced by Weber as "bureaucratic government which, by virtue of its same tendency, is government that excludes publicity".

This has to be considered without forgetting that the state body is subject to certain necessary conditions of government which make it feasible to carry out a real exercise of power for fulfilling the objectives and ends inherent to the responsibility of its post. But formal power, which is inherent to top management, to management in general, cannot overlook the fact that in its origins we find the degree of legitimacy that is granted to it by those interest groups that are affected. Therefore the directive will find that its recognition is affected by three principles:

a) Efficiency, capacity for achieving the strategic objectives of the organisation.
But formal power, which is inherent to top management, to management in general, cannot overlook the fact that in its origins we find the degree of legitimacy that is granted to it by those interest groups that are affected.

b) Integrity, principles and values of the directive, which prioritise the general interest over the particular in its behaviour.

c) Transparency, how the way in which it is administrated and the results obtained are communicated and made visible. We confine ourselves to this last.

2. Transparency in Public Management

Transparency manifests itself as the simplest mechanism for controlling political action and guaranteeing the suitability of what is done for the Nation as a whole and, therefore, in order to access Good Government. It implies a relation of rights/duties which bind the citizen to the public powers: on the one hand, making the right of citizens a reality allows access to information on the public management being carried out, allowing a reasoned opinion to be reached on it; on the other hand, public duty, this principle imposes an ordered and foreseeable mode of management, whose documented record allows for its public exhibition and thereby makes reality of the right of citizens to learn the management being carried out with the resources that have been entrusted to the public representatives, the criterion adopted by them in the decision-taking, and the adaptation of one and the other to the ends provided for in the Laws.

As a consequence, transparency becomes a crucial element of knowledge for citizens with regard to public management, and a necessary and simultaneous condition for the establishment of the internal and external control mechanisms that have been set up in the different legislations. In any case, even in the 17th century, transparency was presented as a requirement for control with States being assessed as unstable if their security depended on the good faith of a certain individual and of the administrators; on the contrary, it is stated: “In order to be stable, the administration must organise itself in such a way that the men in charge of making it function cannot be induced by reason or by feelings to act in bad faith or to prevaricate”.

The financial crisis has, for other reasons, revitalised the need to encourage transparency in management, even when it appears to be focused exclusively on the financial side. From the Declaration of the Summit on the Financial Markets and the World Economy adopted in Washington in November 2008 up to the G-20 summit held in Toronto in June 2010, there has been an insistence on the need to make headway in the transparency of institutions, the financial markets and the regulating bodies, with lack of transparency being considered as one of the causes of that crisis. Transparency is, therefore, a multiple premise and guarantee of the social organisation and of the democratic system of government; as has been recognised by the Judgment of 1 July 2008, handed down by the European Court of Justice.

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In a joint declaration of 6 December 2004 the UN, the OECD and the OAS asserted the right of access to information held by the public authorities as a fundamental human right, with the Charter of Fundamental Rights of the European Union establishing transparency as a fundamental element of the right to good administration (arts. 41 and 42), to the point that Community jurisprudence on the limits of access to public information is clear: any limit is an exception and publicity is the rule [5].


The White Paper on European Governance, approved on 25 July 2001, established that transparency forms a direct part of two of the five political principles that are proposed: openness, participation, responsibility, efficacy and coherence.

The Constitutional Court, in its judgment 362/1993, of 13 December 1993, has considered that this “duty to inform within the scope of transparency proper to the Public Administrations in a democratic system, which is not a mere courtesy, even though this can be demanded of it, in turn fulfils the role of guarantee inherent to the form in a positive sense, in order not to fall into formalism, which is its perversion”.

Act 30/1992, of 26 November 1992, on the Legal Regime of the Public Administrations and the Common Administrative Procedure states in its art. 3.5 that “in its relations with citizens, the Public Administrations act in accordance with the principles of transparency and participation”.

Also Act 11/2007, of 22 June 2007, on electronic access for citizens to the Public Services, has examined the necessary information for citizens on the management of public funds.

4. External Control and Transparency: main conclusions

The action of external control bodies, and in particular those of Spain, have sought to satisfy this principle of transparency by means of the mere publication of reports issued with a greater or lesser degree of profusion of their contents. In the opinion of the present authors, a proper application of this principle of transparency would

3. Transparency in Spanish Legislation

The Spanish Constitution does not directly and expressly recognise a principle of “transparency” of the Administration, though its coverage is indeed materialised in different stipulations: the publicising of legal statutes and security (arts. 9.3), the necessary motivation of administrative acts (arts. 9.3 and 24), the right to informative self-determination with respect to the Administration (art. 18), the right to information (art. 20) and access to administrative files and registers (art. 105b).

The White Paper on European Governance, approved on 25 July 2001, established that transparency forms a direct part of two of the five political principles that are proposed: openness, participation, responsibility, efficacy and coherence.

Transparency is, therefore, a multiple premise and guarantee of the social organisation and of the democratic system of government; as has been recognised by the Judgment of 1 July 2008, handed down by the European Court of Justice.

The White Paper on European Governance, approved on 25 July 2001, established that transparency forms a direct part of two of the five political principles that are proposed: openness, participation, responsibility, efficacy and coherence.
The action of external control bodies, and in particular those of Spain, have sought to satisfy this principle of transparency by means of the mere publication of reports issued with a greater or lesser degree of profusion of their contents.

require adopting certain corrective measures in the way these Institutions act, in three major fields that would affect their own ordinary activity, for the purposes of this ordinary activity and, in the Spanish case, the review of certain actions which we could call inappropriate activities, entrusted to the external control bodies by mere legislative occurrence.

a) The principle of transparency in the ordinary control activity

For a long time, public accounting information has been directed at the internal managers as an instrument for monitoring budgets and for controlling the necessary documents for the rendering of accounts to the Court of Audit. This mechanism has favoured the control being carried out solely by the political representatives and by the external control bodies, with the citizen being left in the background. Nowadays, the culture of rendering of accounts is conceived as an internal phase away from the citizens, in such a way that their role as recipient of public information has become residual in Spain. This is a situation which necessarily has to change in order to bring that information closer to citizens and, in general, to whatever groups that in one way or another find themselves affected by the economic-financial activity of the public sector, which, for one reason or another and from different viewpoints, are practically all those making up the political, economic and institutional fabric of society.

For this, the public powers are required to bring the rendering of accounts closer to citizens, adapting the information that is present, though without diminishing its quality, and in particular by means of:

a) A greater dissemination of economic-financial information, especially via the Internet.

b) Specific reports aimed at citizens.

c) Explanatory reports on economic data.

d) The issuing of the above documents as close as possible in time to the management being analysed.

b) The consequences of the control activity in Good Government

As with the above, the question does not arise in view of the existing legislation, *lex data*, but rather *de lege ferenda* and implies a change in the effects of the reception of the *facere* of the control body, from which could be expected, among other consequences, a greater interest among citizens in knowing the results of the control to which the public sector is subject and thereby of the transparency.

The effects of the controls undertaken by the control bodies, due to the mechanics which their consideration of being technical bodies of Parliament leads to, are, apart from those which might constitute *notitia criminis*, reduced to the discussion at the parliamentary stage of the related facts and criticisms or shortcomings observed in the reports issued by members of the Chambers and of Parliament.

In other words, the action of the control body is, for these effects and *mutatis mutandi*, fully comparable to those undertaken by the auditor in a private company. His report is targeted at a small subjective field of recipients; the shortcomings observed are in themselves unimportant as far as the professional career of the public authorities and officials are concerned whose activity is being analysed; and the conclusions and recommendations that are included lack binding force, which means that the omission of any rectification that would comply with them is, principle, unimportant.

For this reason, the transparency of public management and the carrying out of Good Government seem to require that the evaluation of the professional undertaking of the public directive and of the authorities who take on the economic-financial management of the public sector has an intimate link with the analysis that the activity carried out by them should be done by the external Control Body. It does not seem appropriate that the professional career of those who are entrusted with the management of public finances should be subject to the needs of the political situation and not to compliance with technical demands, which are proper to that management and can be demanded of that activity.

Equally, it seems necessary that the consequences of parliamentary control over the economic management
that is carried out demands closeness in relation to the fact being analysed and an imperative mandate to which the public manager must be subjected, in accordance with the methods set down by parliamentary uses.

Therefore, the proposals of the control body taken on by Parliament ought to be indicative not of a mere recommendation but rather of a true imperative mandate aimed at the management bodies of the concerned public sector and with the consequences that derive from breach of the parliamentary mandates.

c) Inappropriate activities entrusted to the external control bodies and their consequences in Good Government.

One of the most striking questions of the attribution of competence regarding the control bodies, and in this respect we could say internal and external, is perhaps the presence of a group of small functions which, attributed to those bodies or taken on by them, end up or can end up by undermining their capacity for developing their main function: control of the economic-financial management; provoking an erroneous display of their function.

The wish to improve public management and the express recognition of the magnificent training of the members making up the bodies to which the development of the formation control functions corresponds, would not justify allowing them to take part in public management, thereby becoming the controllers of their own management—as has occurred in some sectors of local administration in Spain—or entrusting them with roles that might be inappropriate, if not contradictory to their main role.

On the contrary, the external control bodies have on occasions been assigned roles that are outside their own competence, the later and external control of the management being carried out. This occurs when the aim is to make the control simultaneous and not consuming of that management, overlapping with internal control and generating dysfunctions which will undoubtedly end in affecting the Good Government of the public finances, since it introduces a factor of instability: the concurrence of directives; and the distortion of its image, harmed by its closeness to the public struggle, which it has to control in the economic financial sphere.

Finally, the exercise of external control must be conducted in full conviction of its own integration in the Public Sector controlled for purely administrative effects, since it is not its role to stand in for the administrative bodies nor, in its internal functioning, to overlook the institutional contributions which could facilitate its task.

It is not for the external control bodies to make up for the shortcomings of the Public Services and Registries but instead to highlight them in order to achieve their best functioning; it is not for them to substitute for the managers but instead to check what they do.

Indeed, External Control is directly implicated in the attaining of Good Government, and a notable improvement could be achieved in the levels of efficacy of the actions carried out by our institutions by improving transparency in the function and clarifying the conditions in which they have to be undertaken.
1. The present situation

As is well known, article 136.1 of the Spanish Constitution sets down that the Court of Audit is the supreme audit body for the accounts and the economic management of the State, as well as of the public sector. It shall be directly accountable to the Spanish Parliament and shall exercise its functions by delegation of them in the examination and approval of the State General Accounts. Given that the need or the advisability of including external control of public accounts in the jurisdictional organisation of the State or, as occurs in Spain right now, in the Legislative Power of the State, is debatable, it would seem that, notwithstanding the improvement in the present situation, such a constitutional approach ought to be maintained to the degree that there are considered to exist sufficient guarantees of the independence and quality of its jurisdictional and, above all auditing, decisions due to being a constitutional body which is embodied in the others together with the General Council of the Judicial Power and the Constitutional Court.

These considerations have been set down, with a clear and complete explanation and establishing the difference between the auditing function and the jurisdictional, by the actual Justice Division of the Court of Audit when it states that article 136 of the Spanish Constitution and Organic Law 2/1982, of 12 May 1982, shaped the two functions attributed to the Court of Audit in a way that is clearly separated, since it is not for nothing that their nature and purpose are also distinct. So, while in the exercise of the auditing function which is the competence of the Plenary Session of this Court (article 21 of the Organic Law on the Court of Audit, or LOTCU) a technical activity is undertaken prior to the political function of Parliament in which the parliamentary body is informed of the adaptation of the economic financial activity of the entities comprising the public sector (article 4 LOTCU) to the principles which, in our Legal Code, inform on the execution of public spending, in other words, the legality, efficiency and economy (article 31.2 of the Spanish Constitution, in relation to article 9.1 of the LOTCU) or, if preferred, to those making up what is known as good financial management, the function of the accounting prosecution is, in the words of our Constitutional Court in the Ruling of 29 October 1996 and Judgment 187/88 of 17 October 1988, an activity of a jurisdictional nature, consisting of trying and carrying out that which is judged in accounting matters. The accounting function does not, therefore have as its natural purpose that of leading to the exercise of the jurisdictional function, rather it ends with the task of reporting to Parliament or, as the case might be, to the Legislative Assemblies of the Autonomous Regions or to the Plenary Sessions of Local Authorities, though of course this does not mean that if the investigation required by the auditing were to reveal facts pointing to the possibility of an accounting responsibility, then the Law would provide for a procedural phase—the preliminary actions of art. 45 and 47 of the Law on the Functioning of the Court of Audit, or LFTCU—in order to link up the exercise of both functions and bring those facts before the bodies of the Court to whom the Law entrusts the accounting jurisdictional function.

That is the present situation, perfectly defined by the Justice Division itself of the Court of Audit in its case-law doctrine. The question which we venture to raise is the following: does such a regulation have to be maintained in its essence or, on the contrary, is there a need for a new and urgent regulation expanding on the powers of the Court of Audit and, in turn, on its own capacity to resolve matters even in the field of auditing? We will try to provide an answer to this question below, though we will state in advance that, maintaining the essence of the present configuration, some improvements can be made in the current legislation on the basis of it.
2. **Procedural and organic measures referring to the investigation and to the judicial function**

Although no one believes, not even the actual authorities of the European Union, would initially find it logical, it might perhaps be thought that the auditing activity of the Court of Audit can include on the one hand, and in terms of achieving the collaboration of the institutions in that essential work, the scarce coercive measures of sanction or coercive fine of little consideration provided for in articles 7 of the LOTCU and 30 of the LFTCU, apart from the possible inspections and checks, along with the opening of cases of reimbursement. Its sum, amounting to the maximum figure of 150,000 of the old pesetas, which can be repeated until the complete compliance of the interested party has been obtained and that it would be graduated taking into account the importance of the disturbance suffered, in other words the present sum of € 902, seems ridiculous in relation to the scale of the possible omissions and obstacles to the task of auditing and to its importance. The strengthening of the external control institutions requires moreover that powers of an executive nature be added since otherwise it becomes difficult to talk about a true and effective external control of public accounts in States of the European Union. The present crisis, also in relation to public accounts, has revealed a notable insufficiency of external control media and of regulating private banking and public accounts in numerous sectors of various States.

Curiously, with respect to the jurisdictional function of the Court of Audit, both the Directors in charge of the various judicial matters and the Justice Division have, on the basis of the supplementary application of the rules of civil process referred to in Final Provision 2 of the LOTCU, the possibilities deriving from the application of article 247 of the Civil Procedure Law 1/2000 (LEC) to the accounting prosecution. Said principle of the general procedural legislation sets down that the infringement of the rules of good faith, the abuse of procedural right or fraud of law will be able to entail rejection of the claims and incidents formulated with said abuse or fraud, with fines of up to € 6,000 being able to be imposed for the case of procedural bad faith though without exceeding a third part of the quantity of the process, being set down in a separate motion and with the application of the rules of the Organic Law of the Judicial Power.

And with respect to the collaboration of the organs of the Administration and of the judicial organs of the State Judicial Power, the rules of judicial assistance contained in articles 169 to 177 of the LEC 1/2000 have to be abided by which, specifically, establish that the period will be set within which the actions required of the corresponding Judicial Office have to be undertaken, that delay in compliance with the request will give rise first to its reminder to the judicial organ to which the request is made and then to the ex officio referral to the corresponding Governing Division of the respective Higher Court of Justice if the delay in compliance were to persist. It has to be remembered that article 417.9 of the Organic Law of the Judicial Power establishes that any delay in carrying out judicial functions is a very serious disciplinary violation and that, with respect to the Judicial Secretaries, article 155.6 of the Organic Regulation on the Corps of Judicial Secretaries establishes their correlative and current primary responsibility in cases of judicial assistance. Otherwise, article 51 of the LFTCU has to be abided by when it says that the organs of the accounting jurisdiction shall be able to obtain the assistance of Judges and Courts of all ranks for the exercise of their jurisdictional functions, which must be provided for them in the manner regulated in the Organic Law of the Judicial Power and in the procedural laws for jurisdictional cooperation.

- The question which we venture to raise is the following: does such a regulation have to be maintained in its essence or, on the contrary, is there a need for a new and urgent regulation expanding on the powers of the Court of Audit and, in turn, on its own capacity to resolve matters even in the field of auditing? -

An attempt must be made to reduce cases of suspension of trials as much as possible in such a way that this occurs even in the event of delay in complying with the acts of judicial assistance that have just been mentioned, or of official letters or orders to Authorities, Notaries and Registrars, pursuant to the provisions of articles 188, 429.3 and 5, 435 and 436, and all this in spite of the possibilities of interruption of the hearings if not of their suspension, considered in article 193.2º and 3º of the actual law just cited. Undue delays prohibited by article 24 of the Constitution must try to be avoided, making the prosecutions more flexible, without prejudice to
applying the procedural remedies which, like those of the Final Provisions, seem to be advisable in these cases of communications being provided that are outside of the periods set for this, without giving rise to constant suspensions.

In terms of the cases entering the Prosecutions Section and their subsequent distribution among the Directors in charge of the decision on admission and, as might be the case, the subsequent processing of the trial or procedure for reimbursement for misappropriation, article 12 of the LFTCU confines itself to stating that corresponding to the Prosecutions Section is, among others, the function consisting of setting the criteria in accordance with which the distribution of cases has to be made among the Divisions and among the Directors of the Prosecutions Section. This matter of distribution is so important that, turning to the supplementary provision (Final Provision 2 of the LOTCU) set down in LEC 1/2000, it can be cited that article 68.4 of that formal Law 4 provides for the nullity of resolutions issued by judicial organs other than those to which it corresponds to hear the different cases according to the rules of distribution in force at that moment.

The present crisis, also in relation to public accounts, has revealed a notable insufficiency of external control media and of regulating private banking and public accounts in numerous sectors of various States.

Such is the importance, therefore, of the rules or norms for the distribution of accounting jurisdictional cases, with the rule of distribution according to which the chronological presentation of the specific case will be heeded, given its archaic nature and the fact that it has become supplanted by random rules of distribution with computing applications incorporated, and the now broad experience of the Presidents of the various organs of the State Judicial Power, that it is considered as nothing other than indispensable to proceed to a modernisation of the Prosecutions Section by means of the incorporation of such techniques supplanting the possibility, remote but far from impossible, of selecting the Director by means of fraud consisting of the introduction of fictitious cases with the aim of bypassing what is correct and achieving the desired result in the distribution, which would be unreal and unjust. The reform referred to must therefore be carried out without delay by applying the techniques of randomness and equality in the distribution of cases entering the Prosecutions Section via the various channels that are legally possible.

In general, and this serves for all actions of Prosecution, including those relating to investigation, a digitalization plan must be instigated immediately with the aim of making the processing as flexible as possible and facilitating the handling of the enormous number of files that have to be taken into consideration nowadays in trials concerning responsibility for misappropriation and in other accounting proceedings. Of course, the problems of live filing would to a large degree become attenuated by handling digitalised documentation.

3. The execution and the investigation

As far as the execution of jurisdictional decisions reached by the Court of Audit is concerned, it suffices to point out that it would be desirable that the present and brief regulation (articles 85 to 87 of the LFTCU) were to be complemented with a swift undertaking of the acts of execution in the corresponding cases. The execution is the competence of each Prosecutions Department and the general rules have to be applied promptly and swiftly, without any lessening of the corresponding procedural guarantees in each case.

As far as the examination or investigation of actions having possible accounting responsibility is concerned, article 22 of the present LOTCU attributes the designation of the Examining Delegates to the Governing Commission. Given that, by assimilation and due to the good results that it has provided, it seems that the logical thing would be that, as occurs in the criminal process, it is the actual Prosecutions Division which would be able to make that designation, with broad possibilities of considering that a larger number of Examining Delegates ought to be designated, according to the needs demanded by the service, in all cases expanding their present small number. The consequence of this is that the mention contained in article 11 of the LFTU regarding the existence in the Prosecutions Section of an administrative unit in charge of the surveillance of the examining actions prior to the requirement of accounting responsibilities in the proceedings for reimbursement for misappropriation is regarded as insufficient. Notwithstanding the attention which that unit has to pay to the regularity and promptness of the examinations for possible
responsibility for misappropriation, it is considered that the best unity of action ought to lead to the designation and control of the Examining Delegates in charge of Preliminary Proceedings to be examined in each case residing in the Court of Justice or in the actual Prosecution Section.

In this case, moreover, the measure of control attributed to each Director of the Departments of the Prosecution Section would also have full and real virtuality, as a measure of rationality in the functioning of the proceedings, seeing how article 14 of the LFTCU states that it corresponds to them to exercise the surveillance and inspection on the proceedings and the disciplinary powers over staff in the section in the event of minor violations. Rather, it is evident that the excessive compartmentalisation of functions and controls results in the detriment of the real aim of proper control and of rationality, as well as of the swiftness in dealing with proceedings. For that reason, such compartmentalisation must, no matter how it is looked at, be regarded as excessive.

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The repeated reference which article 47 of the LFTCU makes to the General Regulation on Revenues in relation to the guarantee deposit on presumed responsibilities of the misappropriation of which there are signs does not, moreover, cease to be curious, and nor is the reference made to the distraint to be decreed in its absence. If the Law intended to apply LEC 1/2000 on a supplementary basis, then it cannot be seen what the purpose is of this other speciality of the examination or of the Preliminary Proceedings when the former has measures that are similar and as valid as those of the administrative enforcement. It would perhaps be advisable to delete that reference in order avoid legal distortions.

4. **Conclusions**

The following conclusions can be reached, bearing in mind what has just been stated:

1st. While in the exercise of the auditing function falling to the Plenary Session of the Court of Audit a technical activity is carried out prior to the political function of the Parliament in which the parliamentary body is informed on the adaptation of the economic financial activity of the entities comprising the public sector to the principles informing on the execution of public spending, in other words, legality, efficiency and economy or what is known as good financial management; the function of the accounting prosecution is an activity of a jurisdictional nature, consisting of trying and executing what has been tried in accounting matters.

2nd. The strengthening of the external control institutions demands that powers be added of an executive nature and of the imposing of effective fines amounting to substantial sums in cases of lack of collaboration since otherwise one can hardly speak of a true and effective external control of public accounts in States of the European Union.

3rd. Use must be made of the collaboration and assistance measures provided for making accounting trials more flexible and aiming to avoid the suspensions of accounting trials by making moderate use of the Final Provisions.

4th. There can be no delay in reforming the distribution by applying the techniques of randomness and equality to cases coming into the Prosecution Section via the various channels possible by law. The maximum digitalization of the actions and of the files must be introduced.

5th. Regarding the execution of the jurisdictional decisions of the Court of Audit, swift action in the acts of execution in the corresponding cases would be desirable.

6th. It seems that the most logical thing would be for the Prosecution Division itself to be the one that would proceed to the designation and control of the Examining Delegates, with broad possibilities of proceeding to designate a large number of Examining Delegates.
European public finances, especially those of the countries comprising the euro zone, find themselves today more than ever in the line of sight of economic agents.

With a view to remedying the serious macroeconomic and budgetary imbalances that were revealed on account of the international financial crisis of 2008, in March 2010 European institutions approved a programme which sought to coordinate better the economic policies of Member States, which was titled “European Strategy 2020”. With this approach, institutions considered that the main causes of the current crisis in the euro lay in the “insufficiency of macroeconomic coordination measures and in the absence of effective limitations” which compelled the State to respect the principle of budgetary balance.

So, in the Communication from the Commission, of 30 June 2010, sent to the European Parliament and other Community bodies, titled “Enhancing economic policy coordination for stability, growth and jobs and tools for stronger EU economic governance” [1], it was mentioned that the budgetary imbalances of Member States, especially the high level of their sovereign public debts, could quickly lead to crisis situations. In order to prevent this, national budgetary scenarios had to be started up aimed at reducing their deficits and at achieving sustainable public finances.

Respecting the budgetary autonomy and responsibility of Member States, the new European legislation [2] imposed a set of obligations which sought to implement suitable mechanisms of coordination among all the subsectors of the Public Administrations, with the aim of ensuring the integration of their regional policy in national and European budgetary programming.

The reality of the economic crisis demands the adoption by Member States of fiscal consolidation measures in order to comply with the agreed limits of public deficit, resolving the most important imbalances in public accounts. At the national level, the stability objective set by the Spanish Government for the period 2013-2015 provides for achieving a maximum deficit for the Public Administrations as a whole of 4.5% of the GDP for 2013, 2.8% for 2014 and 2.1% for 2015. This path of progressive reduction of the deficit requires a greater rigour in controlling budgetary deviations and an optimisation of the public financial management.

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In view of this panorama, the present article considers what must be the role which the Supreme Audit Institutions (SAI) have to carry out, or, which is the same thing, what contribution can be expected of them for encouraging financial sustainability, transparency and the proper use of public funds.

The current situation of public finances and the consequences this entails for the eurozone countries regarding their capacity to finance themselves on the international markets have placed the focus of citizen attention on the SAIs, questioning whether their supervisory action would not have helped to anticipate the budgetary imbalances of the Administrations and to

sound the alert in relation to the levels of deterioration of the public accounts. We are not being faced with a situation that is unknown, but, with the crisis, it has indeed taken on a greater dimension and the limitations and inefficiencies of the SAIs have been made more evident.

Looking ahead, towards which fields ought the activity of the Court of Audit of Spain be directed in order to strengthen its utility as a public service? There is no need to look too far; confining ourselves to the countries of the euro zone, in order to discern potentials ways of improvement that could serve as a reference model for our country.

In France the Cour des Comptes has the constitutional mandate to provide assistance both to Parliament and to the Government in the evaluation of public policies [3], which has to serve for establishing mechanisms of communication with citizens. In the development of this task, each year the Cour publishes a report on the situation and prospects of public finances [4], whose aims contribute to the guideline debate on French public finances which is held in Parliament during the second quarter of the year.

Following the coming into force of the Law of 3 February 2011 [5], the president of the National Assembly and the president of the Senate are authorised to bring evaluation requirements before the Cour, in the form of reports to be issued within a maximum period of a year. So, we have recently had news that, following his appointment, the French prime minister required the Cour des Comptes to conduct an audit of public finances, prior to the new Government proceeding to draw up its financial and budgetary strategy. The report, published in July 2012, highlighted the main risks which could prevent the Executive from achieving the deficit targets planned for the following years, and which had to be taken very much into account when setting the priorities of public spending and revenue expectations.

From a reading of it, some of its assertions are strikingly forceful when they establish cuts in certain expenditure items as being imperative, such as functioning and personnel expenses, with all the Public Administrations as a whole being involved in the process. It likewise maintains that the consolidation of the spending budget will not by itself eliminate the need for a moderate rise in taxes, furthermore demanding that fiscal expenditure should be reduced in, for example, tax allowances and welfare contributions.

The public diffusion which this report has had, amplified by the echo which the communications media have made of the conclusions and recommendations drawn from it, have undoubtedly helped to boost the image and social relevance of the Cour des Comptes as an instrument at the service of citizens [6].

Fairly similar to the French case is the Cour des Comptes of Belgium which, on an annual basis and as part of its mission to inform on budgetary matters, presents the Belgian Parliament with a report containing comments and remarks relating to the examination of general budgetary projects of the State. The latest one published, referring to the financial year 2012 [7], reveals that the budget presented by the Government conforms to the stability programme for a gradual reduction in the deficit approved for the period 2011-2014.

These brief examples aim to illustrate how in certain countries the role of the SAIs goes beyond a declaration of conformity with the public accounts for years already closed, and criticises any budgetary deviations that have occurred, setting themselves up as active agents of the process of designing budgetary plans by pointing out the directions to follow in attaining the public deficit targets, not just in order to safeguard its monitoring.

[6] For further information on the consultative role played by the Cour des Comptes, it is recommended to go to the communication “La Cour des Comptes, entre assistance et conseil”, by Fanny Grabias. National Congress of Constitutional Law, Nancy, 2011.
at the national level but also, fundamentally, at the European one.

Current Spanish legislation does not consider that the Court of Audit can, like the cases examined, fulfil a consultative role. It can, none the less, bring motions to the Spanish Parliament proposing modifications in the applicable rules or other measures for improving the management that has been analysed in view of the results contained in audit reports. Nevertheless, situations have occurred that have highlighted the insufficiency of the present legislative framework. In this regard, reference can be made to auditing on the compliance with the principle of transparency set down in the legislation of budgetary stability, in relation to public sector budgets for the years 2009 and 2010, which the Court of Audit of Spain has included in its latest annual audit programmes, concerning which that institution has run into serious obstacles in carrying them out owing to the enforced legal channels that are provided for extending its supervision tasks to budgetary scenarios.

This is possibly the moment for adopting legislative changes that would grant the Court new duties that would to a greater degree connect with the tendencies existing in the countries of our economic environment and which would at the same time serve to make the institution more visible to society [8].

SAIs cannot remain impassive in the face of growing demands for transparency and accountability from society, both of which are principles at which standard ISSAI 20 issued by INTOSAI [9] is devoted, and which link up with currents of academic and intellectual thought on accountability and which are postulated as key elements for good governance. On this particular point, the draft “Law of transparency, access to public information and good governance”, passed by the Spanish Council of Ministers on 27 July 2012, provides the Court of Audit of Spain—included within its scope of application along with other constitutional bodies—with a golden opportunity for taking decisive steps towards a greater visibility and social valuation of the duties it performs.

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[8] The Secretary General of INTOSAI, Dr. Josef Moser, in the I ASOSAI-EUROSAI Conference held in Istanbul in September 2011, affirmed that “the visibility of SAIs and the cooperation with the public, especially with citizens, represent important conditions for the strengthening of independence in SAIs”.

STRENGTHENING EXTERNAL PUBLIC AUDIT: SUPPORT OF FINANCIAL STABILITY AND PROPER GOVERNANCE

The Accounting Chamber of Ukraine

Public finances is the complex system which in many respects defines the development level of a State, its economy, social sphere and social interrelations. Financial security of a State, its financial system’s efficiency and viability depends on the way the system is set up, how it works and how well it’s protected from corruption, protectionism etc.

However each system needs for ongoing maintenance. In the case of public finances such maintenance is secured by control measures and the primary role is played by external public audit. According to the Constitution of Ukraine for previous 15 years such function has been successfully performed by Accounting Chamber of Ukraine.

The cornerstone of any control is based on rigorous compliance with such principles as legality, regularity, unprejudicedness and openness. They are the source of sound and proper management which provides for financial stability.

Accounting Chamber of Ukraine as a member of international auditors’ community is guided by abovementioned principles. Results of ACU activities provided for an image of competent institution capable to provide independent and unprejudiced evaluation of economic environment, public finances, banking sector and economic reforms in general.

Accounting Chamber, according to its tasks and functions:

• Provides expert assessment of Draft State Budget of Ukraine and proposals on Budget items, which includes proposals on solution of economic problems, increase or reduce of budgetary expenditures with clear macroeconomic grounds.

• Audits all public expenditures, including those at regional level, and provides in-depth expertise of the state and regional development.

• Applies various auditing forms and methods, in particular, performance audit, financial audit, compliance audit and defines the background of revealed violations.

• Performs system control over implementation of national and complex programs.

• Performs analysis, assessment of auditees’ management efficiency and reasonability of decision making process.

• Follows up ACU recommendations and proposals made as a result of audit and expertise activities.

• Takes part in activities of respective committees of the Parliament of Ukraine with regard to management of public funds and resources and implementation of national programs.

We understand that achievement of socio-economic growth and financial stability is impossible without changes within the public management system aimed at provision of efficiency and feasibility of managers’
We understand that achievement of socio-economic growth and financial stability is impossible without changes within the public management system aimed at provision of efficiency and feasibility of managers’ decisions.

This is why the ACU’s major priority is the performance audit aimed at:

- Defining and assessment of economy and efficiency problems and expertise in areas where management is improper in order to provide auditee and Government with practical assistance in improvement of their activities.

- Providing legislative and executive powers with independent assessment of public funds management and implementation of government’s programs.

- Providing reports on direct and indirect results on programs implementation and achievement or non-achievement of the State’s objectives.

- Informing society e.g. taxpayers on management of public funds and resources.

ACU working plans reflect process taking place in country’s financial, economic and social areas. With the purpose of the complex evaluation of management efficiency we pay special attention to audits related with global national problems. Indeed, Accounting Chamber of Ukraine is the only institution in Ukraine which monitors and investigates State special-purpose programs aimed at solving global national matters referring to all spheres of the State’s concern.

Accounting Chamber studies and evaluates every stage of such programs from planning to conclusion.

With the purpose of the complex evaluation of management efficiency we pay special attention to audits related with global national problems.

And what is more important we present clear and complex recommendations on actions necessary for overcoming negative trends at national level. They include recommendations on initiating new legislative acts and regulations as well as provide amendments to eliminate detected defects or contradictions.

Our activities’ task is both to detect violations and cases of inappropriate management of public funds and to focus attention of public authorities and society on problems present in socio-economic and administrative areas as well as to propose clear ways for elimination of detected lacks and violations.

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Day-to-day concern of Accounting Chamber also relates to follow-up of recommendations and proposals approved by ACU Board as a result of audits. In our opinion, the audit can be considered as fulfilled just if and when Parliament, Government and central public authorities positively considered our audit conclusions.

Significant improvement of ACU recommendations and proposals and higher interest for our audit reports was the result of effective and efficient activity of our institution.

Conclusions of ACU Board are normally taken into consideration in Governmental decisions and acts of the Parliament.

During recent years Accounting Chamber boosted participation in activity of Parliamentary committees. It’s worth mentioning that in 2009 Parliamentary committees considered only 11 audit reports submitted by Accounting Chamber5, in 2010 – 43 and in 2011 – 68.

The follow-up results show that auditees have taken necessary measures to eliminate detected budgetary
The follow-up results show that auditees have taken necessary measures to eliminate detected budgetary violations and to prevent their recurrence as well as to prevent inefficient management of the State Budget funds.

All of abovementioned provide the basis for opinion that our activity, audits results and proposals aimed at implementation of proper management principle in public sector, in general promote improvements of public financial and budgetary policy, strengthening of financial stability and socio-economic development of our country.