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European Organisation of Supreme Audit Institutions



Madeira EUROSAI Conference - 2001

**Introducing Performance Audit. The Experience at National
Audit Office, Malta**

**The New Institutional Status of the State Audit Office of Finland
The first European Seminar on Environmental Auditing**

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Editorial

Dear members of EUROSAI,

It is a great pleasure for me to inform you that last November I had the honour of being re-elected President of the Court of Audit of Spain, following the decision and proposal of the Plenary Session of this Institution, and subsequent appointment by His Majesty the King of Spain.

This appointment likewise entails my continuity in performing the functions of Secretary-General of EUROSAI, which will permit me to make further progress in the challenges and initiatives already commenced in the last few years, and to make for closer and stronger cooperation with those Audit Bodies which, in one way or another, are involved in the exercise of activities, statutory or otherwise, and in fulfilling the various objectives of the Organisation.

As you know, one of these objectives consists of developing and applying useful training actions for EUROSAI members.

The EUROSAI Training Committee, whose management falls directly to the Governing Board, is the body in charge of putting training policies into practice and, after having been functioning for two years, it has attained praiseworthy achievements in the holding of seminars, in cooperation with IDI, in the development of the web page and in contacts held with other Institutions and Organisations concerned with external control.

Regarding this last point, it is necessary to highlight the results being obtained in the cooperation between OLACEFS and EUROSAI by means of the holding of Encounters in which, as well as exchanging experiences, progress is also made in analysing the new responsibilities deriving from the current integration spaces generating common audit zones.

Emphasis can equally be placed on the work being carried out by the Environmental Audit Work Group, which has already held its first Seminar in Norway last May 2001, with a notable participation of SAIs and with valuable results being obtained.

As you all know, in May of this year the 5th EUROSAI Congress is going to be held in Moscow, and I do not want to omit mentioning, at the same time as congratulating, the organisation and results obtained in the development of the Pre-Congress Seminar on the very interesting and topical subject: "The use of IT in auditing". The new technologies in general, and computing in particular, present major challenges in exercising control over public accounts, and it is therefore desirable that this initial study should be followed by other future ones that will enable progress to be made in mastering this field.

Finally, I would like to take the opportunity to express my gratitude to the various authors for their collaboration in this eighth edition of the magazine and to state my recognition of their efforts and generosity in the presentation of the different contributions.

Once again, I encourage you all to take part in this common Project, and I place myself at your disposal for any help you might require.

Ubaldo Nieto de Alba

*President of the Spanish Court of Audit
Secretary General of EUROSAI*



*Eurosai News***EUROSAI TRAINING COMMITTEE***IT in Auditing***Golawice, 20-21 February 2001**

Summary statement

by Mr. Eirik Larsen Kvakkestad

Office of the Auditor General of Norway



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Mr. President, Ladies and Gentlemen,
Dear Colleagues

The subject of this seminar has been “*Use of IT in Auditing*”. First of all, I think we have to admit that we likely have touched upon only parts of the subject during this seminar, and that there are several challenges ahead. However, one issue seems clear. We all aim at the same goal, that is, effectiveness and efficiency in auditing.

What are the main challenges?

Firstly we have the demands for more audits at lower costs. Then we all are confronted with shortage of skilled audit personnel. There are increasing demands for results from the audit, demands for the auditors to give advice and for audit communication in general. We have experienced increasing demands for documentation of the auditors’ work as well.

In this seminar we have focused on

- Use of IT in preparing and planning audits
- Downloading and conversion of data
- Use of IT in performing audits
- IT-links between SAIs and auditors

We have discussed IT-software developed for data extraction and analysis, and packages that support the entire audit process, automate work papers, and take care of the documentation of the audit work.

We have all learned that IT-auditing can help the auditor to meet the challenges in a professional manner. Of course, the methodology - with the standards and guidelines - must form the basis of all au-

ditions. But the audit tools we use are essential for doing a professional audit. To the auditor, it means all the software packages, whether they are developed internally or from software houses.

From the planning phase, we know that it is necessary to make risk assessments and determine which area should be focused on during the audit. We have experienced that we all face a huge amount of data, and that it is most important to select and analyse the figures before we start the audit work itself (the execution). In this respect, it is most important to understand the business as well, and select data, that are essential for the performance of the audit.

We have to equip the auditor with complete and easy access to valuable knowledge about the organisations that they plan to audit. The IT-audit tools we need are a selection of professional, analytical tools and tools to collect and organise data in a proper way. We have experienced that a lot of work has been done in all countries to achieve this objective. Even if we have a slightly different focus and approach to this challenge, it seems that we all are engaged towards the same objective.

Moreover, the IT-software for analytical purposes seems to be more and more essential to achieve efficiency. We can no longer act as passive recipient of statistics generated from the IT-departments. Whether it is Win-Idea, ACL or other packages from software houses, or internally developed software, we have experienced that the IT-tools have become more extensive and indispensable for the modern auditor. And, as we have learned from the presentations and discussions so far, all

of us use this kind of tools, whether it is for planning or execution purposes.

If we should make full use of IT in auditing, it is necessary as well, to be aware of the importance that all the tools should be as user-friendly as possible. If not, much time will be spent in an ineffective way - to learn and understand how the packages work. We have experienced from the discussions that we are all fully engaged in these issues, and I think we can agree, that used in a reasonable way the analytical tools available so far, has increased the efficiency and the effectiveness of the audit considerably.

There is also another considerable potential of improvement in performing the audit. In this respect, we have discussed systems that support the auditor according to the methodology. These systems will enable auditors to automate some of the paper-based tasks, such as work papers, and give access to databases of audit actions in order to create the audit programs, and audit reports as well.

From the presentations, we have learned that there is still a long way to go. But either we use the systems developed by software houses or develop a system internally, I strongly believe that these kind of systems will contribute to a more effective and uniform audit according to the methodology itself.

We have discussed that there are many challenges connected to IT-links between SAI's and the auditees in general. In this respect, we have experienced that several problems are connected to downloading and selection of data.

But it is also a question of how we, in the future, are going to communicate with the auditees. When we get more experience with the systems, and the Internet as

well, the signals from this seminar seems to be that use of IT will be more and more common, also regarding communication in general.

And so far, I think we have only seen the beginning. Besides, in the future I think there will be more focus on fraud detection, network security assessments and e-commerce control as well.

Let me try to sum up;

From my point of view, this seminar has been very interesting. Not only because of the subjects and the informative presentations, but also because the discussions during the sessions - and outside this room - have told me that we have much to learn from each other, and we are indeed dealing with the same kind of challenges. Lets hope that, in addition to the knowledge we have acquired during this seminar, it will be easier to get in contact with each other in order to discuss topics of common interest and to exchange experiences. As audit challenges continue to grow more technological in nature, I am convinced that we all will benefit from good professional contacts across the borders.

And now, Mr. President,

I will take the opportunity, on behalf of all of us, to thank you and your staff for your hospitality and this excellent seminar you have organised here in Golawice.

I am deeply impressed by the education centre you have here, and the way you and your staff have managed every detail so that we all should feel comfortable during the seminar. It has been a great pleasure to spend these days here at the education centre together with you and your staff.

Thank you very, very much!



DRAFT MINUTES OF THE XXIII MEETING OF THE EUROSAI GOVERNING BOARD

Ljubljana (Slovenia) - 29 March 2001

The EUROSAI Governing Board held its XXIII meeting in Ljubljana, on 29 March 2001, with the attendance of the members, observers and guests included in annex 1 that is enclosed.

Mr. Antoncic, President of the SAI of Slovenia and Mr. Logerot, First President of the SAI of France, President of EUROSAI, delivered the introduction speeches.

1. Approval of the Agenda of the XXIII Meeting

The agenda of the XXIII meeting was approved.

2. Approval of the Minutes of the XXII Meeting

2.1. The minutes of the XXII meeting were approved (from the meeting of 16 February 2000, Madrid). In agreement with the decision made by the Governing Board on 16 February 2000, these minutes will be sent to all the members of the Organisation.

2.2. As far as the distribution of the minutes of the XXIII meeting and other minutes of meetings, the Governing Board, in order to guarantee the members of EUROSAI a complete and fast information, decided that they would be distributed under the following conditions:

- The draft minutes, drafted by the Presidency and the Secretariat, will be sent to the members, observers and guests of the Governing Board in a term of a month after the meeting.

- The members, guests and observers will send their observations on this document, to the Presidency and the Secretariat, in a term of a month after their reception.

- The draft minutes, modified by these observations, will then be sent to the Governing Board and all the members of the Organisation. This dispatch will specify that, in agreement with the statutes of the

Organisation, the draft minutes will not be approved officially until the following meeting of the Governing Board.

3. Report of the Secretary General

3.1. Mrs. García Crespo presented the Report of the Secretary General gathering all the activities and projects initiated by the Organisation in a year. Part of this presentation referred to items in the agenda of the meeting itself.

3.2. Regarding publications, Mrs. García Crespo, on behalf of the Secretary General:

- Informed the Governing Board that the Spanish SAI had placed online, in the Web site of the organisation, the quarterly "Newsletter", with no additional cost charged to the Organisation up to that moment.

- She proposed the Governing Board that, having seen the requests made, the Newsletter would be maintained printed on paper along with the online edition.

The Governing Board took note about the online version of the Newsletter, and, taking into account the request of the General Secretariat, agreed on the continuation of the paper edition.

With regard to the question of the publications, this item would have to be discussed within the framework of a more general reflection on the budgetary perspectives for the organisation which was mentioned in points 4, 9 and 10 of the Agenda. It was agreed that the Presidency and the General Secretariat would present concrete proposals on this subject to the next Governing Board meeting.

4. Presentation of the Accounts and the Financial Report for Financial Year 1999 and Information about the Auditors' Report

Mrs. García Crespo presented, in accordance with article 14 of the statutes, the



financial report of the Secretary General for financial year 1999. This report, the auditors' report and the accounts for financial year 1999 did not deserve any commentaries from the observers or the members or of the Governing Board.

Mr. Logerot, EUROSAI President, indicated that beyond budget 1999, the development of the EUROSAI activities, especially in the field of training must lead to a basic, global reflection on the budget of the organisation. The question of financial means financing these actions was even more significant to pose than that the report of the secretary general showed that more than half of the budget is currently devoted to the publications. This prospective reflection on the budget could be led by the Training Committee which would work out proposals intended to be sent to the Governing Board and to the Congress of 2002, to clarify the different budgetary alternatives of the aforementioned Training Committee.

Mr. Otbo, President of the Danish SAI, approved this proposal and he remarked that it would be important, indeed, that the SAIs organising seminars or conferences knew in advance the principles according to which, subsidies for these events can be granted to them.

Mrs. von Wedel, President of the German SAI, remarked that she approved that a general reflection on the budget were launched but that this issue was to be discussed under item 10 of Agenda, in particular with the project of co-operation EUROSAI/IDI, in which action has been boosted but no budgetary reflection had been undertaken yet.

Mr. Sinclair, Assistant Auditor General of the NAO of the United Kingdom, also approved this proposal indicating, that although principles and forecasts must be prepared, within the framework of each triennial budget, for the organisation of conferences and seminars, it would have to subsist a certain freedom of manoeuvre, particularly for events that were not yet programmed at the time of the adoption of the budget

In conclusion, the Governing Board decided to initiate a prospective reflection on the budget of the Organisation. It commissioned the Training Committee to make proposals on the evolution of the budget of



Participants of the meeting during the working sessions.

the organisation both in income and expenditure. These proposals will be examined in the next meeting of the Governing Board. On one hand, it will have to be envisaged, maintaining simultaneously certain possibilities of flexibility, the financing of the training actions initiated by EUROSAI, and on the other hand, the definition of criteria for granting subventions for the events organised by the members SAIs.

The suggestions of the member SAIs could be compiled by the Training Committee to help them to formulate their proposals.

5. Examination of the Request for Membership of the SAI of Azerbaïdjan

Mrs. Garcia Crespo, on behalf of the Secretary General, indicated that the conditions fixed by Article 3 of the EUROSAI statutes, to become member of the organisation, were met by the SAI of Azerbaïdjan, which was member of INTOSAI and it had accepted the EUROSAI statutes and whose request of membership was submitted to the Governing Board in that XXIII meeting.

Mr. Logerot, EUROSAI president, noted that the SAI of Azerbaïdjan, met, indeed, the requirements to become a member of EUROSAI. This SAI is also member of ASOSAI and would be, thus, from now on, member of two regional organisations, as there are already other institutions provided by the General Secretariat of INTO-SAI, this double membership did not mean any particular problem.

Consequently, in accordance with article 3 of the statutes of EUROSAI, the Governing Board approved the membership of the SAI of Azerbaïdjan. The secretary general was in charge of notifying this decision to the SAI.



6. Information about the Congress of Moscow of 2002

Mr. Stepashin, President of the SAI of the Russian Federation, First Vice-President of EUROSAI, submitted a report on the preparation of the Congress. He indicated that his institution had worked out a detailed program of preparation to the Congress, and had set up a working group to deal with the implementation of this program. In addition, a number of measures were adopted by the Government for this preparation. The proposed dates to the Governing Board for the Congress are from 27th to 31st May 2002.

He said that the subject of the Congress, "the SAI and the State Budget Execution Audit", was an essential subject for the work of the SAIs of the countries of Central and Eastern Europe.

The President of the SAI of Portugal, Mr. de Sousa, emphasised that the subject of the congress would be important for the SAIs of the countries of the European Union, in a moment when these countries are on the verge of adopting a common currency, the EURO.

The Governing Board took note of the preparation above exposed, it approved the proposed dates (27th to 31st May, 2002) and the following sub-themes for the Congress¹:

- The Role of the SAI in the Preparation by the Government of the Budgetary Proposals and in the Examination of the same ones by the Parliament;
- The Control during and after the Execution of the State Budget;
- The use of IT in the State Budget Execution Audit (this subtheme is to be discussed in the seminar previous to the Congress to be held in Warsaw in September 2001).

The Governing Board also decided that:

- Following a proposal of Mrs. von Wedel, President of the German SAI, the organisers of the Congress would have some freedom to choose the number of subthemes (2 or 3).
- Following a proposal of Mr. Otbo, President of the Danish SAI, the Congress

will select the theme of centralisation or decentralisation of the accounting system of the State; this question would not take the form of a specific subtheme but it would rather be an element of the 2nd subtheme.

7. Information on the Seminar previous to the Congress that will take place in Warsaw in September of 2001

The President of the Polish SAI, Mr. Wojciechowski, presented the preparations made for this seminar that will deal with one of the subthemes of the 2002 congress, "State Budget Execution Performed with Use of IT Tools.

He informed the Governing Board about the setting up of a technical group in charge of these preparations, integrated by several SAIs. He added that, by means of a joint letter of 24 March 2001, the President of EUROSAI and himself had sent to all the members of EUROSAI, an invitation had been made to attend this seminar, that will take place in Warsaw from 25th to 27th September 2001, being reserved 27th September for a tourist visit. This letter of invitation was sent along with a questionnaire, to which it is requested a reply by 20 April.

The final agenda will be fixed once the replies to this questionnaire are examined.

The President of the Portuguese SAI, Mr. de Sousa, emphasised that the use of IT in the audit work raised the important question of the relations between the auditor and the auditee, subject that would have to be discussed in the seminar.

The Governing Board took note of the preparations previously described.

8. Information on the Madeira Conference (31 May-1 June 2001) on "The Relations between the different Scopes of Audit of the Public Funds (European, national, regional and local)"

The President of the Portuguese SAI, Mr. de Sousa, presented the works direct-

¹ These three subthemes were put under the consideration of the Governing Board by means of letter dated 12 October 2000 from the President of EUROSAI and the Chairman of the SAI of the Russian Federation, First Vice-President of the EUROSAI.



ed by his institution and the *ad hoc* working group for the preparation of this conference. The program of this event, that included working sessions, was distributed during the session to the members, observers and guests of the Governing Board. Mr. de Sousa reminded that the Organisation of Regional Audit Institutions (EURORAI) has been associated to these preparations and they would send about fifteen participants to Madeira. The interpretation would be available in the five official languages of EUROSAI and in Portuguese language, whereas the documents appear in English and French.

Mr. de Sousa wished to obtain the approval of the Governing Board regarding the invitation as observer to the Conference of Madeira of the President of the Organisation of the Audit Institutions of the Federated States of Brazil.

The Governing Board approved this invitation and took note about the preparations above indicated.

9. Proposal for the Granting of Subventions for the Conference and the Seminar discussed under Items 7 and 8 of the Agenda

Mrs. García Crespo, on behalf of the Secretary General, proposed to grant two subventions, one (10,000 U.S. \$) for the SAI of Poland, organiser of the seminar previous to the congress, which will take place in Warsaw in September of 2001, as mentioned in item 7 of the Agenda, and another one (5,000 U.S. \$) for the SAI of Portugal, organiser of the Conference of Madeira in May of 2001, as mentioned under item 8.

The Governing Board approved to grant these two subventions.

10. Actions carried out by the Training Committee

Mrs. Fradin (Presidency of EUROSAI), who co-chaired with Mrs. Marta Fernández-Pirla (General Secretariat of EUROSAI) the EUROSAI Training Committee (ETC) created by the resolution adopted in Madrid on 16 February 2000, presented as an introduction to this point of the Agenda the objectives fixed by the Governing

Board for this Training Committee as well as the working methods of this committee, particularly the sub-groups.

10.1. First training activity organised by EUROSAI (Golawice, Poland, 20-21 February 2001): "IT in auditing".

The President of the Polish SAI, Mr. Wojciechowski, informed on the method followed by the *ad hoc* sub-group of the Training Committee to prepare this first Training activity, the development of it, as well as the results obtained, that had been evaluated through the replies to a questionnaire that had been sent to the participants. A great majority of the 27 participating SAIs had been satisfied with this first training activity, he hoped that EUROSAI would continue organising them and he wished that a debate forum were opened on the subject of the seminar.

10.2. Web Pages on Training.

Mrs. Fradin (French SAI) informed about the conditions in which the Web pages on training had been created, hosted by French SAI and with access through the Internet site of the Organisation and that they contained international and national information. The sub-group of the Training Committee in charge of this assignment created the model for these pages, thanks to the technical support of the Danish SAI. The information is in the process of going online.

10.3. Co-operation EUROSAI/Initiative for the Development of INTOSAI (IDI).

Mr. Borge, General Director of IDI, presented the conditions in which a teacher training programme of the SAIs of EUROSAI was launched by the sub-group of the Training Committee responsible for co-operation EUROSAI/IDI, as the EUROSAI Governing Board was informed by means of letter of his president, of 14 September 2000.

Mr. Borge said that the aim of this co-operation and the LTRTP had been presented in the meeting of Liaison Agents of the countries candidates to the European Union, Cyprus and Malta in October of 2000 in Prague (Czech Republic) as well as to the Contact Committee of these SAIs that took place in Sofia (Bulgaria) on 7-8 December 2000.



The first stage of this plan, that is to say, the Strategic Programming Workshop (SPW) was held in Oslo on 11-13 December 2000: eleven SAIs and six observers participated. The report on this SPW (that among other things includes annexed a definition of the functions of the different partners the follow-up of the LTRTP and the themes of the training sessions requested) had been sent to the Governing Board.

Mr. Borge explained that the financing of the LTRTP was not guaranteed yet, but that IDI had made requests for subventions to the Norwegian Ministry of Foreign Affairs specially for the financing of 2nd stage of the LTRTP, "course design and development workshop", CDDW, programmed for second half of year 2001) and to other financing institutions. The SAI of the United Kingdom and the SAI of the Netherlands, members of the Governing Board of IDI, will support the requests of subventions presented by IDI before the European Commission.

After the presentation of those three actions of the Training Committee developed in 2000/2001, Mrs. Fradin presented the proposals for future actions to be carried out by the Training Committee.

Once those proposals and the corresponding debates were heard, the Governing Board made the following decisions:

– With respect to the financing of the training actions:

The Committee, within the framework of the budgetary mission that has been entrusted to it on the occasion of the examination of item 4 of the Agenda, will have to prepare proposals in the area of financial policy of the Organisation that would allow this one to guarantee their future training actions. It will value the global financial load of such operations, and the part of financing that corresponds to the SAIs, EUROS AI and, in certain cases, to other partners. The Training Committee will have to present proposals on this matter to the next Governing Board.

– With respect to continuity to the 1st training session organised in Golawice (Poland):

In 2002, it will be organised a 2nd training session, that will deal with "value for money audit" and it will take place in

Hungary. It will be prepared according to the same methods that were used for the session of Golawice.

In 2003 a 3rd training session will be organised that will deal with "the evaluation of the internal control"; and it will be held in the Czech Republic.

These two selected subjects are part of the training areas more frequently requested by the SAIs of EUROS AI, in their replies to the questionnaire on training needs that was sent to them during the summer of 1999.

– With respect to the training pages on the Internet site of the Organisation:

The information on training will be placed as before on the Internet site and the French SAI will be in charge of it, taking advantage of the examples of Internet sites already set up by other regional organisations, like ASOSAI, as the representative of the SAI of the United Kingdom expressed.

A debate forum will be opened soon on the subject of the training session organised in Golawice: "IT in auditing". It will be accessible through the EUROS AI Internet site; it will be hosted by the Danish SAI.

– With respect to the teacher training program initiated within the framework of the co-operation with IDI (LTRTP):

Having seen the results of the "Strategic Planning Workshop" held in Oslo in December 2000, the Governing Board approved the proposal of the Training Committee to continue with the preparation of the training program initiated with IDI in 2000.

11. Activities of the Working Group on Environmental Audit

Mr. Wojciechowski, president of the Polish SAI, presented the report of activities of the working group on environmental which presides his institution. He reminded, among other things, the results of the different meetings held and the works developed during a year: meeting of the co-ordinator and the subcoordinators in Bucharest (Romania) in February 2000, joint audits on the Helsinki Agreement and the MARPOL Agreement, participation in



the meeting of the INTOSAI working group on environmental audit in Cape Town (Republic of South Africa) in April of 2000, meeting of all the members of the EUROSAI working group in October 2000, in Warsaw.

He mentioned the perspectives of the working group, particularly the European Conference on Environmental Audit that will be held in Oslo in May 2001.

12. Result of the Questionnaire on the Relations between SAI and the Universities and Proposals

Mrs. Fradin (French SAI) presented the results of the questionnaire that the Governing Board, in its meeting of Madrid of 16 February 2000, decided to send to the members of the Organisation to find out about the nature of the relations with the university, to assess the proposals for EUROSAI actions in this field, and to fulfil, therefore the objectives fixed in articles 1-4 and 1-7 of the statutes.

Stating, on one hand, the importance of the already existing relations between the SAIs and the universities, and on the other hand, the interest of a majority of SAIs in EUROSAI to get more information on this subject, the Governing Board decided:

– To include a section “relations with the university” in the training pages of the Internet site of the Organisation (section: “News”). This page will include the information that the SAIs will send to the French SAI (to the following direction: formationeurosai@ccomptes.fr) on two subjects: the seminars or conferences organised with or by the universities related to the public finances; the theses, works of investigation or university publications that can be of interest to the member SAIs.

– To try, as it was done in the Congress of Paris in 1999 and the Conference of Madeira of May 2001, to associate people for universities to each conference, seminar or congress that EUROSAI organises.

– To include the subject of the relations with the universities in the daily routine of the next meetings of the Governing Board that will examine the progress made

in strengthen the links between the SAIs and the universities.

13. Decision about the Representation of EUROSAI in the INTOSAI Governing Board

Mr. Logerot, President of EUROSAI, informed the Governing Board that the President and the Secretary General of INTOSAI had asked this Committee for the designation of two elected members of EUROSAI to become members of the Governing Board of INTOSAI, which will be renewed in the Congress that that Organisation will hold in Seoul, in October of 2001. The elected European members that participate at present in the Governing Board of INTOSAI are Portugal and Norway, and these members have by that reason the status of observers in the Governing Board of EUROSAI.

Firstly, the President of EUROSAI explained that three European institutions should become members by right of the INTOSAI Governing Board from October 2001: the SAI of Austria, Secretary General of INTOSAI; the SAI of Hungary that would organise the congress of INTOSAI in 2004; IDI, whose direction is assumed by the SAI of Norway and that, after the congress of Seoul, it would enjoy of a permanent position in the INTOSAI Governing Board, as a result of a modification of the statutes that will be made at the Congress.

Next, the President of EUROSAI indicated the importance of the election of the members of the Governing Board because these members were elected to represent the regional Organisation in all its diversity. It emphasised that for Europe the fact of having two elected members was a necessity: the importance of this region as well as the institutional diversity of their Supreme Audit Institutions make normal to have an European representation composed by two elected members out of the ten elected for the INTOSAI Governing Board.

The INTOSAI statutes forecast in addition that “the main types of entities of financial control of the public sector to which belong the Supreme Audit Institutions are represented effectively in the Governing Board;



In order to represent this diversity, the President of EUROSAI proposes the Governing Board the candidacies of the SAI of Portugal and the National Audit Office of the United Kingdom, for the dynamic activity of these two SAIs in Europe and the world and because they are representative of the two institutional structures that are mainly found in Europe: the jurisdictional ones and the Audit Offices.

This proposal received the unanimous approval of the Governing Board, some of its members emphasised how essential it was for EUROSAI, for the mentioned reasons, to be represented, as it is at the present time, by two institutions in the INTO-SAI Governing Board. Consequently, by means of a joint letter of the President and the Secretary General of EUROSAI, the President of INTOSAI will be informed about the designation of the SAI of Portugal and the United Kingdom.



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14. Place and Date of the next Governing Board meeting

The Governing Board accepted only the proposal of the Danish SAI to host the next Governing Board meeting.

This one will be the first of the three Governing Board meetings that will be held in 2002: the first in Copenhagen, in a date to be fixed yet but around the end of February or the beginning of March; the second one and third one to be held in Moscow, immediately before and right after the congress.

15. Other Items

15.1. Project for the 2nd "EUROSAI-OLACEFS Conference".

Mrs. García Crespo presented the proposal that Mrs. Carmen Higaonna de Guerra, President of the SAI of Peru and President of OLACEFS had sent to EUROSAI regarding the 2nd "EUROSAI-OLACEFS Conference", that was to be held in Cartagena de Indias (Colombia), in June 2001.

The members of the Governing Board showed great interest for this Conference and the continuity that it would suppose to the "EUROSAI-OLACEFS Conference"

that took place in Madrid in February 2000.

Nevertheless, several members of the Governing Board indicated the difficulty that it would involve to keep that date of June 2001, as on one hand, there were events already scheduled for that time by EUROSAI (Conference of Madeira in particular), and on the other hand due to the necessity to have enough time to prepare together with OLACEFS the themes and subjects of that 2nd Conference.

Consequently, the Governing Board decided that the President and the Secretary General of EUROSAI would inform together the President of OLACEFS of the interest that EUROSAI had for this event, but about the impossibility to hold a meeting of such kind in the date initially scheduled (June of 2001); and the interest to fix the date in the second half of 2002, after the Congress of EUROSAI, as it would be more favourable and it would allow a suitable preparation of the co-operation subjects.

In order to maintain a regular contact with OLACEFS, an invitation will be sent in the same letter to the President of OLACEFS, to attend the Congress of EUROSAI in 2002.

15.2. Venue of the EUROSAI Congress of 2005.

The Secretary General of EUROSAI informed about the proposal of the SAI of Germany to host the Congress of EUROSAI in 2005.

The President of the SAI of Germany, Mrs. von Wedel, presented a proposal to organise the Congress in Berlin.

The Governing Board unanimously accepted the proposal that will be submitted to the Congress, in fulfilment of article 9-7 of the statutes.

15.3. Information of the SAI of Portugal on the follow-up of the works of INTOSAI on independence (task force).

The president of the Portuguese SAI, Mr. de Sousa, explained the methods according to which its institution ensured the connection between EUROSAI works on independence and the INTOSAI task force on the same subject, as he had been required by the EUROSAI Governing Board in February 1999. This work of liaison

made it possible to take into account the results of the EUROSAI seminar held in Lisbon in 1998 and those of the Congress of Paris in 1999.

The final draft of the report drawn up by the "task force" will be submitted to the Governing Board of INTOSAI preceding the congress of Seoul.

Information provided by the president of EUROSAI to the Governing Board on the question of the membership of the European Court of Auditors to INTOSAI.

Mr. Logerot, president of EUROSAI, informed the Governing Board that Mr. Karlsson, President of the European Court of Auditors (ECA) had made public the wish of this institution to become member of INTOSAI.

He clarified that it is just a simple information submitted to the EUROSAI Governing Board, as this one did not have any competence to examine this question.

The president of EUROSAI pointed out that, if the EUROSAI statutes explicit-

ly envisaged, since the beginning, the possibility that the ECA might become member of the organisation, as it actually happened, this was not, however, the case of the INTOSAI statutes, "organisation to which only SAIs of all the Member States of the organisation of the United Nations or from one of its specialised agencies can join". The membership of ECA, thus, raised a problem in respect to the current text of the INTOSAI statutes.

Taking into account the exchanges on this question between the members of the Governing Board, it seemed that EUROSAI did not have any competence to cover this subject, that referred to the question of the INTOSAI statutes. Consequently, even if SAIs members of the Union European and represented at the EUROSAI Governing Board did not see any obstacle, in principle, with this membership, it rested with the competent authorities of INTOSAI to reach an agreement about the admission of the request for membership of the European Court of Auditors.



CONCLUSIONS FROM THE SEMINAR ON "SUPREME AUDIT INSTITUTION'S INFORMATION POLICY AND CONTACTS WITH THE MEDIA"

Golawice, 25-26 April 2001

Legal grounds for SAI's activity in the area of information provision

In spite of differences in legal regulations adopted in particular countries, freedom of expression and freedom of the press constitute one of those core values, which in general are guaranteed by the Constitution. The essence of this solution is the willingness to guarantee to the society access to information on the functioning of institutions financed with state budget resources and acting to the benefit of citizens in particular countries. Access to information is provided in general with the help of the media. The requirements of professional secrecy (e.g., state or bank secrecy) and protection of personal property constitute the only limitation to the right to be informed. While reporting audit results

based on objective evidence is straightforward, there are more complications when conclusions are based on subjective evidence and the audit judgement is less clearcut. This should not stop us from publishing and performance audit would be very difficult without subjectivity.

Informing the media about audit findings: threats and opportunities

Publishing information on audit findings creates a number of opportunities:

- Preventing from wrong doing
- Informing
- Motivation for employees
- Spread good practice

- Image building
- Convincing auditees through specialized media, but also creates a number of threats:
 - Early disclosure
 - Scandal seeking
 - Not objective
 - Journalists' 'clubs'
 - Upsetting auditees

Press publications contribute to an increased effectiveness of audit activity, the findings of which thus become better to the whole public, and not only to the auditors, auditees and selected offices concerned. While the greatest threat for the SAI are dishonest, scandal seeking publications which twist the sense of phenomena highlighted by the SAI. A separate problem is connected with suspected manipulation with audit results, both in terms of report highlights and its publication date.

The seminar's conclusion is that the opportunities overweight the threats and we must continue co-operating with the media.

Managing contacts with the media

Contacts with the media constitute the most important component of the SAI's PR process. SAI's relations with the media should be based on clear rules. It is necessary to respect the rights of both sides: the media and the SAI. No medium should be privileged in access to information.

There are several techniques for SAI's to use in managing contacts with the media:

- Educating journalists;
- Initiating, not just reacting;
- Publishing rectifications;
- Preparing specific press material;
- Using the Internet.

Effectiveness of PR (evaluation)

There are several purposes to PR evaluation including:

- Impact of audit report – bringing about change;
- Reporting to top management about how effective the press office is.

Evaluation of PR effectiveness makes an integral part of those activities. It shows whether the tasks identified at the planning stage for implementation primarily by way of maintaining contacts with the media, were correctly fulfilled. Evaluation results are also used as the starting material for planning new tasks.

There exists no perfect method permitting to measure the effectiveness of actions taken up by the Press Officer and PR services. In the process of evaluating PR effectiveness a few methods are applied, and the result achieved makes a combination of a number of factors. There are several important measures used in the analysis of PR effectiveness including public opinion poll results, clippings, visitors to web site, etc.

Delegates had different views about the primary audiences for audit reports. For some it is the public, but for others it is decision-makers that are crucial.



Madeira EUROSAI Conference – 2001

Held in Funchal, the capital of the Portuguese Autonomous Region of Madeira, from 31 May to 1 June 2001, the *Madeira EUROSAI Conference* was attended by 26 Supreme Audit Institutions (SAI) members of EUROSAI, among which the European Court of Auditors, and 16 Regional Audit Institutions (RAI), members of EURORAI.

The Conference was also attended by the President of the Association of the Brazilian Courts of Auditors as an observer.

There were four working sessions under the general theme, "*The Relations Among the Different Public Sector Audit Structures*", whose subjects were:



Group photo of the participants.

– *The Impact of Government Systems on Structural and Procedural Organization of External Government Auditing;*

– *Interrelation and Cooperation in the Matter of Public Sector Financial Control Among the Different External Audit Bodies;*

– *The Interdependence of Budgets (Communitarian, National, Regional and Local) and its Effect on External Public Sector Audits;*

– *The Audit of Regional and Local Government performed by the Different External Public Sector Audit Bodies.*

In order to introduce the debates, there was a lecture by Professor Marcelo Rebelo de Sousa, from the Faculty of Law of the University of Lisbon.

Having discussed the four aforementioned subjects, the delegates in this Conference have produced the following conclusions:

1) Differing government systems lead to differing organisational patterns of external government audit.

2) As a whole, audit institutions provide the audit of the revenues and the expenditures of administrative bodies, so that, at each level, the representative body can approve the financial management or take note of the administrations performance through audit reports.

3) Whatever the form of the state, there are always shared competencies and funding areas between central government and, if so, federal states, regional or local bodies.

4) Therefore, external audit bodies, in each state, are led to harmonise their works and cannot ignore each other.

5) Co-ordination mechanisms may exist, provided by law or audit bodies statutes, but, in practice, they appear to be insufficient in order to guarantee a complete control of public revenues and expenditures at every level, and to allow for the system of public audit to secure the more efficient and effective use of taxpayers funds to the benefit of all citizens.

6) To this end, it is appropriate to establish co-operation, founded on trustworthy relations on a contractual and pragmatic basis. This also concerns, within the European Union, the relations with the European Court of Auditors.

7) Co-operation mechanisms and experiences still exist in various fields and between the different audit levels. They could be more widely shared and developed.

8) Further exchanges of experiences, on concrete and professional issues (such as health, education, infrastructures...) appear to be desirable. EUROSAI and EURORAI will join their skills to fulfil these aims.



EUROS AI PRE-CONGRESS SEMINAR
**“State Budget Execution Audit Performed
 with the Use of IT-Tools”**
WARSAW, 25-27 September 2001

Overall Conclusions

The EUROS AI Pre-Congress Seminar “State Budget Execution Audit Performed with the Use of IT-Tools”, held in Warsaw on 25-27 September 2001 and attended by representatives of 32 SAIs and the Chamber of Control and Accounts of Moscow, dealt with the issues of access to data, data analysis and sampling, as well as with experiments, solutions and prospects in the audit of state budget execution with the use of IT tools. Altogether we had 9 presentations, 19 country papers, and a much stimulating discussion. The seminar was a good opportunity to realise that despite various national approaches in place, there are a lot of common problems, finding the solution to which can be easier if we continue to exchange our experiences.

These conclusions, when presented at the EUROS AI Congress in Moscow next year, will be a sound basis to deal with the theme of the Congress, i.e. the state budget execution audit.

During the seminar we got acquainted with each other’s everyday practice, circumstances and problems, exchanged our audit experiences and presented our different approaches to the same objectives; we also had an opportunity to understand each other’s problems, and possibly help with finding solutions.

While IT tools in budget execution audits should be adopted and encouraged, it should be kept in mind that they are a means to an end, not an end in themselves. They should add value to the audit process and be undertaken with a view to contributing to clearly identified specific audit objectives. And they also should address the need to keep abreast of developments and the selection of appropriate tools .

General findings and conclusions

1) *With regard to data accessing:*

- Every country has a legal mandate to access the data needed for the state budget

execution audit. However, the ways and types of the access vary considerably. When SAIs encounter obstacles, they should take the appropriate measures their mandate provides for, granting complete access to data for the fulfilment and efficiency of their mission.

- Cost-free access to data can be regarded as a normal arrangement, being given that every institution affected is financed from the state budget. However data access is at the same time a kind of service, sometimes costly, and the costs have to be paid by someone. There are different solutions in the SAIs.

- More and more frequently, the data in question are provided in an electronic (digital) format. The IT-training of auditors becomes therefore a fundamental question. SAIs have reached different levels as to the auditors IT-skills. Training strategies, means and well-developed materials are needed.

- Standardised software provide for more effective processing of data of individual financial statements and therefore for a more effective audit of the state budget execution.

- Technical problems relating to IT-infrastructure, managing, transferring and converting the data are of particular importance. The solutions need to be designed, implemented, and also managed and supported, and cost and efficiency problems can not be avoided.

- As far as data accessing is concerned, the key issues to be resolved are :

I) adequate legal base;

II) completeness, reliability and compatibility of targeted databases;

III) finding consensus with auditees on appropriate means of data access and transfer;

IV) introducing adequate measures to ensure safety and confidentiality of accessed data.



2) *With regard to data analysis and sampling:*

- In the seminar the SAIs represented considered their different approaches, experiences and the states of development of the use of IT tools for data analysis and sampling.

- There are many factors which influence the nature and extent of use of IT tools for data analysis and sampling by SAIs, including the legal environment and the auditing philosophy of the SAI, the information requirements of the Parliament as well as the needs of the auditee and the general public.

- The papers presented primarily focused on the need for a framework for ensuring the validity of data and data analysis. This is essential in order to avoid the inappropriate use of data analysis and inefficient efforts.

- The development of IT tools for analysis and sampling must go hand in hand with the development of concept and methodology to allow for the audit results to be relevant and useful.

3) *With regard to experiments, solutions and prospects:*

- It is critically important to create the appropriate environment for the efficient and effective use of the IT tools available. This implies finding appropriate solutions with regard to data accessing, adoption of relevant technologies, and recruitment and training of auditors.

- Concerning the adoption of appropriate technologies, the issues to be resolved can be summarized as:

I) obtaining a clear understanding of the structure of the computerised databases to be interrogated;

II) determining the nature of desired verifications;

III) selecting the optimum solution bearing in mind the foregoing issues;

IV) determining the optimum solution between packaged programmes and purpose-written programmes;

V) consideration should be given to what extent the CAATs should be used by computer specialists or general auditors.

- In terms of recruitment and training of auditors, the solution should bear in mind the following :

i) the complexity of the computer environment ;

ii) the range and complexity of the computer audit tasks to be undertaken ;

iii) the computer knowledge profiles of existing staff ;

iv) the necessity of providing appropriate training within a reasonable timescale,

v) the desirability of recruiting external computer experts and/or the possibility of outsourcing computer audit tasks.

The continuous evolution of information technology will enhance future possibilities to undertake more effective and efficient audits, but it will also require continued important investments in hardware and software.

High levels of investment in people will be necessary and, in particular, appropriate continuous professional training, together with the top-down commitment of the management. These conditions will be pivotal to the successful use of IT tools in the audit of state budget execution.



EUROSAI Training Activities Prague, October - December 2001

The beautiful city of Prague has recently hosted two events that have marked a new stage in the development of EUROSAI training activities:

- From 22nd October to 30th of last month, November, 26 young auditors from

Supreme Audit Institutions (SAIs) of candidate countries for membership of the European Union participated in the first *workshop of the long-term regional training programme* organised by EUROSAI and the INTOSAI Development Initiative

(IDI). This programme, whose launching owed a great deal to the will of the EUROSAI Training Committee, to the IDI, and to the assistance of the Norwegian Government, is going to enable the setting up of a network of "training specialists" starting from the end of this year, which in all these SAIs is going to contribute to the expansion of knowledge and technical skills (*savoir-faire*) which, more than ever, are the source of our legitimacy!

– The week after, the *EUROSAI Training Committee*, presided by the Court of Audit of France and of Spain¹,

was able to confirm the highly promising results of that workshop, a good omen for the success of the programme, and it also made progress in all the matters commenced in the Paris meeting in June last year: budgetary reform of EUROSAI, preparation of the next stages of the programme with the IDI, organisation of the forthcoming thematic meetings on training, creation of web sites and of the debating forum... A lengthy menu, consumed with appetite, that reflects the clear desire for joint action and construction, in our field of competence: that of an expanded, open and fraternal Europe.

ANNOUNCEMENT ON THE EUROSAI SECOND TRAINING EVENT

Value-for-Money Seminar

Budapest, 18-20 September 2002



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The second training event of EUROSAI will be held in the Hungarian capital, Budapest, 18-20 September 2002. The co-organisers, the State Audit Office of Hungary, and the National Audit Office of the United Kingdom in association with the the presidency of EUROSAI will invite soon around 30 auditors to participate in a value-for-money auditing seminar.

The goal of this seminar is to show the latest developments achieved in quantitative and qualitative methodologies in performance auditing, as well as to point out how to use surveys, benchmarking and performance measurements. The presenters will arrive from the UK, France, Portugal and Hungary.

This seminar has been designed as a working level seminar for VFM practitioners. For this purpose a case study approach is supposed to generate audience participation. Before closing the seminar an open discussion on key lessons is also planned for the participants.

The venue of this seminar will be in an attractive part of Budapest. The registration fee will be 120 EUR/day which includes the accomodation and three meals a day.

The official invitation letter will be released and put on the EUROSAI training website in January, 2002.

¹ This committee, created last year by the Governing Board, to which it has to report, is composed of eight SAIs: Germany, Denmark, Spain, France, Portugal, Poland, Czech Republic and the United Kingdom.

NEWS ON EUROSAI MEMBERS

THE BRIDGE THAT LINKS EUROPE

On 10 April 2001 President of the SAO SR Mr Jozef Stahl - and Mr Arpád Kovacs-President of the Hungarian SAI came to an agreement on the common audit event concerning the use of European funds for building up the Maria Valeria Bridge. This Danubian bridge will connect the southeast Slovak City Štúrovo with the Hungarian City Esztergom.

The history of this bridge is very interesting. Primarily a bridge of boats had been built by the Turkish ruler in Budin in the year 1585. Imperial army destroyed this bridge in the year 1664. Turks built it up again. The bridge was completely destroyed only in the year 1683 in the battle of Štúrovo by routing Turkish troops. In the year 1762 a vessel led by the rope was built up and put into operation. This new bridge of boats was finished in the year 1842. In 1893 testing bores were performed in order to build a fixed bridge. Both supports and all pylons followed these in the year 1894. Its building was implemented by "Machine-Works of the Hungarian Royal Railways". The maximal height of trestles of nearly 500 m long bridge was 14 m and the mass of the build-in steel was more than 2 500 t. The bridge was dedicated on 16 February 1896. During the first 50 years the bridge was blown up twice. This happened on 22 June 1919 and 26 December 1944. Since then, this bridge was reduced to ruins

Its renewal was suggested since the year 1964 several times. In the year 1995 a decision for applying PHARE funds was admitted and on 25 August 1999 the preliminary reconstruction treaty was approved by experts from the both sides. On 16 September 1999 Prime ministers held the festive ratification, on the ship anchored at the rubble. The original shape of the bridge will be restored after reconstruction.

On the Hungarian side Pont-TERV-Rt., and Dopravoprojekt on the Slovak side elaborated the project. In the year 1999 Danish consultation company COWI CONSULT LTD finished the draft of the tender documentation according PHARE rules and referring to EU essentials and

technical standards. The tender took part in summer 2000.

Both Governments established a mixed Programme Implementation Unit (PIU) which location was in Bratislava. The PIU manager was appointed by the Slovak delegate and his deputy by the Hungarian one. There are 8 members in this institution. The scope of obligation defines Memorandum, concluded between the European Commission and Governments of both countries.

In Hungary the organisation which provides the building is Komárom-Esztergom County State Road Operator (KEMÁK Kht.) represented by Transport Consulting Management Ltd. (Transport Consulting Administration - UTIBER kft).

In Slovakia the Slovak Road Administration represented by Dopravoprojekt jsc provides the building up. Both representatives form the mixed Engineer Office and responsibilities are settled on the basis of a separate treaty.

The costs in amount of 11 638 000 EUR are distributed between both countries. The EU contribution is 5 500 000 EUR.

On the Hungarian side the building up guarantor is the Ministry of Transport and Water Management of MR and the Ministry of Transport, Post and Telecommunications of the SR acts as guarantor on the Slovak side.

The contractual date of building up completion is 31 October 2001 after which auditors of the both supreme audit institutions will proceed the audit on financial means assigned for this purpose. Consequently we will inform you on results,.

Both Presidents stated together that **"this bridge will express the mutual will to join European nations and not to separate them"**. They expressed their wish to state that no financial rules would be broken, afterwards.

"Symbolism will be not only in the fact that this bridge would be built together but also that it would be built without these shortcomings".



European Union

NEW COMPOSITION AND NEW PRESIDENT OF THE EUROPEAN COURT OF AUDITORS (ECA)

The Council of the European Union, after consultation of the European Parliament, nominated five new Members of the ECA with effect of January 1, 2002. The new Members are Mr. Lars Tobisson (Sweden), Dr. Hedda von Wedel (Germany), Mr. David Bostock (United Kingdom), Mr. Morten Louis Levysohn (Denmark) and Mr. Ioannis Sarmas (Greece). In addition, the Council renewed the mandates of the following Members of the ECA: Mr. Hubert Weber (Austria), Mr. François Colling (Luxembourg), Mr. Maarten B. Engwirda (The Netherlands), and Mr. Jean-François Bernicot (France). The distribution of responsibilities of the Members of the ECA in its new composition and the the election of its President can be found on <http://www.eca.eu.int/EN/ORGANIGRAMME/organigram.htm>.

In its new composition, the Court elected Mr. Juan Manuel FABRA VAL-

LÉS (Spanish Member of the ECA) as the 9th President of the institution. Mr Fabra Vallés' term of office as President runs from January 16, 2002 until January 15, 2005, with the possibility of re-election.

Mr Fabra Vallés was nominated a Member of the European Court of Auditors in March 2000. He has been responsible for the Court's audit sector dealing with the European Development Fund (2000-2002). Prior to this, Mr Fabra Vallés was a Member of the European Parliament (1994-2000), during which his responsibilities including being a member of both the Committee on Budgets and the Committee on Budgetary Control. In addition, he was a Member of the Spanish Parliament (1982-1994).



Mr. Fabra Vallés.



NEW SECRETARY GENERAL OF THE ECA

The European Court of Auditors nominated Mr. Michel HERVÉ as Secretary General of the institution with effect from July 1, 2001 for a term of six years. Mr. HERVÉ succeeds Mr. Edouard RUPPERT who retired after having served the Court of Auditors in different functions for 24 years. Mr RUPPERT had been the Court's Secretary General since February 1994. For further details, please consult the Court's internet site at http://www.eca.eu.int/EN/COMPRESS/ELECTIONS/cv_sg_mhen.htm.



Michel Hervé,
Secretary General
of the ECA.

INTERNSHIPS OF AUDITORS FROM CANDIDATE COUNTRIES AT THE ECA

With the intensification of the cooperation between the Supreme Audit Institutions (SAIs) of candidate countries and the ECA, a new scheme was introduced by the ECA for auditors from the SAIs institutions to work at the ECA for a period of five months. The objective of this scheme is that auditors from candidate countries become familiar with the audit approach of the ECA, the functioning of the different EU funds and their implementation within both the EU and candidate countries. It also provides valuable experience of working in a multicultural environment and becoming acquainted with the internal organisation of the ECA.

The first internship started in September 1999 and, by the end of 2001, 15 auditors from ten candidate countries had fol-

lowed the programme. The present scope of the programme provides for eight to ten internships at the ECA per year, so by the beginning of 2004 (the expected entry date for the first candidate countries) 20 auditors from candidate countries should have benefited from the programme.

Upon completion of the internship programme, the auditors return to their national SAI and are encouraged to disseminate the knowledge and experience gained to their colleagues. The auditors involved then often go on to accompany the ECA when carrying out audit visits in their respective candidate countries as representatives of their national SAI, and in this way facilitate the ECA in accompanying its audit tasks effectively and efficiently.

MEETING BETWEEN THE LIAISON OFFICERS OF EU SAIS AND THE ECA

During 2001, the Liaison Officers of the SAIs of the EU and the ECA met twice in order to discuss items related to their cooperation and the progress of the working groups created by the Presidents.

These meetings were also used to inform each other about recent events and decisions in the SAIs and to prepare the meeting of the Contact Committee in December 2001 in London.



Group photo.

The first meeting took place in Luxembourg on 4 and 5 May 2001. At that meeting the Liaison Officers discussed the results of the working groups on cooperation with candidate countries and on parallel audits on the management of Structural Funds. The working group on cooperation with candidate countries has established close links to the working groups created by the SAIs of candidate countries, in particular to the working group on audit activities. The aim of this working group is to complete the stage of exchanging information between EU SAIs and SAIs in the candidate countries, and move on to the stage of putting the information into practice.

The Liaison Officers also discussed the possibilities of establishing a Trans-European Intranet between the SAIs in order to exchange information in a secure environ-

ment. The ECA informed the Liaison Officers about developments to its Audit Manual, the recast of the EU Financial Regulation and the consequences of the Nice Treaty for the ECA.

The second meeting were organised by the Italian Court of Auditors on 24 and 25 September in Rome. The primary aim of this meeting was to prepare the meeting of the Contact Committee at the beginning of December 2001 in London. The Liaison Officers discussed the further progress made by the different working groups and the subsequent resolutions to be discussed by the Contact Committee. They also discussed the future cooperation between the national SAIs of the EU and the ECA, and the creation of a new working group for the coordination of the activities in the area of irregularities and fraud.

MEETING OF THE EU CONTACT COMMITTEE IN LONDON ON DECEMBER 4-5, 2001



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The annual meeting was hosted by the National Audit Office (NAO) of the United Kingdom and presided by Sir John Bourn, UK Comptroller and Auditor General. Mr Jan O. Karlsson, President of the European Court of Auditors (ECA), lead the ECA delegation, which included Mr John Wiggins, Mr Giorgio Clemente, and Mr Jean-François Bernicot, Members of ECA.

Formal resolutions were approved concerning reports on "Co-operation with the

Candidate Countries (Rapporteur: NAO, UK)", on "Parallel Audit of the Structural Funds", (Rapporteur: Cour des Comptes, France) on "Follow up of 1998 Resolution regarding co-operation between the SAIs and the ECA" (Rapporteur: ECA), on "Digital network TESTA between the SAIs and the ECA" (Rapporteurs: ECA) and on "Co-ordination of the SAIs' activities concerning errors, irregularities and fraud" (Rapporteur: Corte dei Conti, Italy).



Group photo of the Contact Committee meeting.

MEETING OF THE LIAISON OFFICERS OF SAIS OF CENTRAL AND EASTERN EUROPEAN COUNTRIES (CEEC), CYPRUS, MALTA AND THE ECA IN TALLINN ON 28 AND 29 JUNE 2001

As with the SAIs of EU Member States, the ECA has established an institutional framework for the cooperation with SAIs of the Central and Eastern European Countries, Cyprus, and Malta. This framework foresees the meeting of the heads of these SAIs, meetings of Liaison Officers and the creation of working groups. The Liaison Officers of these institutions met twice during 2001 in order to discuss several aspects of their cooperation and to prepare the meeting of the heads of the SAIs, which took place at the end of November in Cyprus. Representatives from the working group on cooperation with candidate countries created by the EU SAIs, as well as from EUROSAI/IDI (Intosai Development Initiative) and SIGMA (Support for Improvement in Governance and Management in Central and Eastern European Countries), were also invited to both meetings. The presence of representatives from the EU working group allowed the establishing of a direct link to the counterpart meetings of EU Liaison Officers and aims to intensify the links be-

tween these SAIs. This should then help to facilitate the integration of the SAIs of candidate countries in to the existing structure of EU SAIs.

The first meeting of the Liaison Officers took place in Tallinn on 28 and 29 June in order to discuss the different activities launched within the framework of their cooperation. Both these working groups, created by the Presidents at their meeting in Sofia in December 2000, needed to resolve certain start-up issues. These issues were discussed and specific action was agreed in order to maximise the effectiveness of the working groups. However, it was clear that these working groups are likely to become quasi permanent as they accompany the integration process in the coming years. The Liaison Officers also discussed some initial drafts of reports on relations between Parliamentary Committees and SAIs on the one hand, and procedures, techniques and evaluation criteria for self-assessments on the other. The Presidents of the SAIs discussed both reports in Cyprus in November.



Group photo from Tallinn.

A presentation was also given by IDI, who informed the participants of a Course Design Workshop for six weeks in Prague, starting on 22 October 2001. This workshop is a further step in introducing IDI activities within the EUROSAI region, other workshops and activities will follow.

SIGMA, who assisted the SAIs of candidate countries in recent years in prepar-

ing for EU accession, has confirmed its commitment towards these SAIs and the existing network for cooperation. SIGMA provides the Electronic Discussion Group (EDG) for the cooperation and will assist actively in the two working groups, as well as in the preparation of the two reports presented to the meeting of the Presidents of the SAIs in Cyprus.

MEETING OF THE HEADS OF THE SAIS OF CENTRAL AND EASTERN EUROPEAN COUNTRIES, CYPRUS, MALTA AND THE ECA IN LIMASSOL, CYPRUS ON NOVEMBER 26-27, 2001

The sixth annual meeting was co-chaired by the Auditor General of the Republic of Cyprus, Mrs. Chrystalla Georghadji and the ECA's President, Jan O. Karlsson. The 13 SAIs of the Candidate Countries and the guest SAIs discussed with the ECA delegation how to work better together in order to further improve the audit of the management of EU funds by the Candidate Countries, which is one of the major challenges identified from the Commission Progress Report on Enlargement. Mr. Maarten Engwirda, Member of the ECA, responsible for the Court's audit sector for Candidate Countries, Mrs. Kalliopi Nikolaou, Member of the ECA, took part in the meeting. Mrs. Michael

Schreyer, Commissioner responsible for Budget, and Mrs. Dietmuth Theato, Chairman of the Budgetary Control Committee of the European Parliament, were also present.

President Karlsson pointed out in his speech that the reports and recommendations already prepared and adopted together form a sound basis for improving financial control systems, and that the next step is now to fully implement these both within the internal and external audit bodies in the Candidate Countries. The formal resolutions adopted at the meeting are available on the Internet at http://www.eca.eu.int/EN/COMPRESS/VISITESOFF/2001/cyprus_resolution.pdf.



Group photo of the participants of the meeting.

WORKING VISITS OF THE ECA TO AND FROM SAIS OF CANDIDATE COUNTRIES

With the enlargement of the EU progressing according to schedule, the ECA is aiming to further intensify its relations with its sister organisations in candidate countries. The audit of national internal control systems, which should be in place for the proper management of EU funds, requires close cooperation between these institutions, even before accession. In this context, Mr Jan O. Karlsson, President of the European Court of Auditors, and Mr Maarten B. Engwirda, Member of the Court, visited the SAIs in Cyprus, the Czech Republic, the Slovak Republic, Malta, Romania, Latvia, and Lithuania. In addition, the Presidents of the SAIs of Poland, Hungary and Slovenia visited the European Court of Auditors at its premises in Luxembourg.

During these visits, in addition to meeting representatives of the national SAIs, the delegation of the ECA met regularly with representatives of the national parliaments and the ministries responsible for managing EU funds. The topics discussed at these meetings included:

- The role of the national SAIs with regard to the functioning of the national systems of financial control;
- The mandate and role of the national SAIs and their relations with the national parliaments;
- The audit of EU funds in candidate countries and the role of national SAIs in this context;
- The cooperation between the national SAIs and the European Court of Auditors.

During the visits of national SAIs to the ECA in Luxembourg, the delegations were informed about the functioning of the ECA, its working methods, the methodology supporting the Statement of Assurance ('DAS') and the audit of EU funds within the different budgetary areas. They also discussed possible ways of cooperation in the audit of EU funds, where the ECA has proposed to SAIs of candidate countries to participate jointly in specific audit tasks.



The President of the Federal Court of Audit as Federal Delegate in matters of Administrative Efficiency

DR. HEDDA VON WEDEL

Former President of the German Federal Court of Audit

Member of the European Court of Auditors

On 10th July 2001 I produced a report for Federal Chancellor Gerhard Schröder titled "Organization of consumer health protection (weak spot: food)", which I then made available to public opinion. This report has been issued within the framework of my role as "Federal Delegate in matters of Administrative Efficiency". Below, I present that role along with the most relevant results of the aforementioned report.

I.

I.1

Following a tradition going back to the Weimar Republic, the President of the Federal Court of Audit also performs the role of Federal Delegate in matters of Administrative Efficiency. It is the Federal Government which decides in each case on the appointment of the Federal Delegate in matters of Administrative Efficiency. On 17th June 1952, appointed by Federal Chancellor Adenauer, the previous President of the Federal Court of Audit, Josef Mayer, was for the first time for the Federal Republic of Germany appointed "Federal Delegate in matters of Administrative Efficiency".

I myself was appointed with my full consent on 26th January 1994 as Federal Delegate in matters of Administrative Efficiency.

The differences existing between this role as Federal Delegate for matters of Administrative Efficiency and the role of President of the Federal Court of Audit are clearly stated in the report "Organization of consumer health protection (weak spot: food)".

I.2

At the end of last year, at the height of the EEB crisis in Germany, the Federal Chancellor asked me to produce a report

on "Analysis of the weak points in the sector of consumer health protection and the food safety". For my part, I have tried to comply with this requirement as best as possible. However, it has to be said that I would not have been able to carry out this task as President of the Federal Court of Audit just like that. Article 114 of the German Constitutional Act of 23rd May 1949 provides that the Federal Court of Audit, members of which have judicial independence, are responsible for auditing the accounts and for checking the efficiency and regularity of the budget and the Federal economy. But the legislator has not provided any advisory role for the Federal Court of Audit. The possibility of the Federal Court of Audit providing advice was allowed for the first time with the coming into force on 19th August 1969 of the Federal Budgetary General Act, article 88, point 2, section 1, of which literally reads: "The Federal Court of Audit, on the basis of experiences regarding the auditing of the accounts of the *Bundestag*, shall be able to offer advice to the *Bundesrat*, to the federal government and also individually to the various Federal Ministries".

Advice from the Federal Court of Audit therefore presupposes that the Court has to have prior experience with regard to auditing on the subject being advised on in each case. In order to achieve this, different experiences in audits can be summarized in order to create an advisory basis. It has to be said that the Federal Court of Audit has extensive experience in auditing.

Following a tradition going back to the Weimar Republic, the President of the Federal Court of Audit also performs the role of Federal Delegate in matters of Administrative Efficiency.



Nevertheless, the Federal Court of Audit did not have any prior experience in the sector of consumer health protection and food safety, which meant that no consideration could be taken of an analysis of weak points by the Federal Court of Audit on the basis of article 88, section 2, of the Federal Budgetary General Act. But such an analysis could be done as Federal Delegate in matters of Administrative Efficiency. Another essential difference of this role lies in the expansion and extension of its advisory competence.

In the rules issued by the Federal Government dated 26th August 1986 on the role and competencies of the Federal Delegate in matters of Administrative Efficiency, it states: "The Federal Delegate in matters of Administrative Efficiency has the task of presenting proposals, reports or recommendations so that the activities of the Federation can be performed in accordance with the principle of efficiency and so that the Federal Administration, with the inclusion of its special assets and state enterprises, can organize itself in accordance with that principle. The advisory role according to section 1 likewise extends to the legislative activities of the Federation".

Therefore, there does not exist any restriction here in the sense of having prior experience on the matters in question.

I.3.

When considering whether the suggestions of the Federal Chancellor ought to be followed, and the manner of conducting the analysis of the weak points existing in the sector of consumer health protection, a further factor would also have to be borne in mind, namely the fact that this concerned a problem that did not just affect the competencies of the Federation. The Federal Republic of Germany is a federal state. In the field of food health protection the Federation has competence only over part of the administrative services. The most important part of the obligations concerning compliance is the matter of the different Federal States, as specified in the Constitution. For me, as Federal Delegate, it would only be possible to make an exhaustive analysis of the weak points of the Administration in this sector within the framework of relations between the Federation and the Federal States.

According to the rules issued by the Federal Government for the role of Federal Delegate in matters of Administrative Efficiency, these literally state: "The Federal Delegate in matters of Administrative Efficiency is authorized to supervise the Governments of the Federal States, in order to be informed on the functions and manner of working of State and municipal enterprises, once prior consent has been obtained from them for this purpose".

I.4

Another important difference between my roles of President of the Federal Court of Audit and Federal Delegate in matters of Administrative Efficiency lies in the obligation of making information available to public opinion. According to article 114, section 2, point 2, the Federal Court of Audit is obliged to present direct reports each year, both to the Federal Government and also to the *Bundestag* and the *Bundesrat*. These annual reports are made available to public opinion via the publications of the Federal Parliament. This practice of informing public opinion about the proposals, reports and recommendations of the Federal Court of Audit derives from the principle of Parliamentary public information.

According to a bibliographic opinion which ought not to be discarded, it is considered that article 114, section 2, of the Constitutional Act does not guarantee the right of independent access of the Federal Court of Audit to public opinion. The basic argument in this regard is that, although the Federal Court of Audit is an independent body of financial control, if it were to provide information directly to public opinion, then the auditing of accounts would become a factor for moulding that opinion independently of Parliament, which would in turn make it into an efficient instrument of external action. I am not going to delve into considerations on whether this argument is valid or not.

For the Federal Delegate in matters of Administrative Efficiency these limits to the constitutional right on public tasks will not, in any case, be argued.

If any department of any Federal Ministry has used information or the results of opinion polls, the Federal Delegate in mat-

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ters of Administrative Efficiency will, with the agreement of the appropriate Federal Ministry affected, also be able to make its proposals, reports and recommendations reach the different departments of the Bundestag, Bundesrat and Federal Government.

I.5

Considered from the historical point of view, the creation of the role of the Federal Delegate in matters of Administrative Efficiency filled a gap in the functions of external state financial control, a gap which arose due to the fact that the Federal Court of Audit was originally limited solely to the functions of review and audit. It has to be added that since the coming into force in 1969 of the Federal Budgetary General Act, advisory tasks also constitute part of the functions of the Federal Court of Audit. A statement of the functions of the Federal Delegate in matters of Administrative Efficiency clearly reveals that this role is not at all superfluous but that, in part and thanks to its broad competencies in question of advice, it has become an important complement to the functions assigned to the President of the Federal Court of Audit.

II.

II.1

In order to produce report "Organization of consumer health protection (weak spot: food)", I have resorted to specialists in Administration (European Union, Federation and *Länder*), in agriculture, from the department of consumer protection, in economics and in science. The results obtained in the various studies made also take into consideration scientific reports, advisory consultations with experts from scientific departments and the Administration, and many important suggestions from citizens.

When making the analysis, I was guided by the consideration that compliance with Community Law in the sector of food guarantees and safety in different member states of the European Union is controlled by the European Commission, in particu-

lar by the Food and Veterinary Department in Dublin. As, moreover, there are plans at the level of the European Union for the creation of a European Body for Food Products which, on the one hand, will have to identify and evaluate the risks of food products and, on the other, assess policies, it was obvious that, as a result of the intense collaboration with European Institutions, a structure of organization would have to be promoted in Germany which, in its design, would be as compatible as possible with the structures of the European Union.

In my opinion, only thus will it be possible to prevent friction and confrontations, and create a sure and efficient consumer protection.

As the result of analysing the weak points, in the report I presented to the Federal Chancellor I made the following proposals:

1. The Federal Ministry for Consumer Protection, Food and Agriculture ought to be shaped in such a way that it becomes the basic springboard for consumer protection within the framework of food guarantees, with the aim of eliminating the fragmentation of competencies existing between the different Ministries and their different subordinate departments.

Complementary to this, I have proposed the creation of more efficient departmental structures in the Federal Ministry for Consumer Protection, Food and Agriculture. Together with the Federal States, a law having unified application needs to be created and regulated in a binding way for consumer protection in the food products sector.

2. I have likewise proposed the creation of a "Coordinator Department of the Federation" for the joint management of risks of the Federation/States within the scope of the Federal Ministry for Consumer Protection, Food and Agriculture. In it, tasks would be directed and controlled referring to food guarantees and safety, at both the level of the Federation and of Federal States and among the different member countries of the European Union. In this field, the Federation would have a complementary organization structure for relations with the European Union.

Another important difference between my roles of President of the Federal Court of Audit and Federal Delegate in matters of Administrative Efficiency lies in the obligation of making information available to public opinion. According to article 114, section 2, point 2, the Federal Court of Audit is obliged to present direct reports each year, both to the Federal Government and also to the Bundestag and the Bundesrat.



3. I have also suggested the creation of an independent Scientific Department in the field of competencies of the Federal Ministry for Consumer Protection, Food and Agriculture. This Department will have to make a scientific evaluation of the risks affecting food products, scientific assessments in the adoption of political and administrative decisions, and finally report objectively and in a way that is easily understandable to public opinion whenever necessary.

Proposals of an organisational type, presented within the framework of my competencies as Federal Delegate in matters of Administrative Efficiency, for the purpose of achieving more efficient structures in the sector of food product guarantees and safety, are primarily orientated towards attaining greater collaboration between the Federation and the Federal States, on the basis of a sharing out of competencies in accordance with the Constitution. I have recommended to the Federal Government that it should immediately adapt this fundamental decision for the Federation and, as far as the Federal States are concerned, arrive as quickly as possible at a unified and agreed concept of or-

ganization. At the same time, the Federation ought to clarify the different questions brought before it, both at the level of organization and as far as the personnel and budgetary aspects are concerned.

I have also emphasised the consideration that the modifications proposed of an organizational nature are not attainable without additional expenditure within the framework of public administration. There has to be an increase in personnel needs, at both the level of federal administration and that of the administration of Federal States. Whether it would be better to meet this increase in expenditure via complementary taxes or duties or by special budgetary means is something that is going to have to be decided politically by the Federation and by the Federal States.

In my analysis of weak points, I have not delved into considerations of a political nature; Nor is it for me to give my opinion on this.

I have to add that when adopting the relevant decisions, it would have to be borne in mind that, as appropriate, the necessary economic means could be achieved by a reorientation of the budget.

Considered from the historical point of view, the creation of the role of the Federal Delegate in matters of Administrative Efficiency filled a gap in the functions of external state financial control.



The Auditing of Local Self-governments in Hungary

DR. ÁRPÁD KOVÁCS

President of the State Audit Office

Today in Hungary the system of local self-government comprises the self-governments of the capital city (1), the districts of the capital city (23), the counties (19), the cities (with county rank) (22), the towns (199), and the villages (2912: including 217 large villages and 2695 other villages), as well as approximately thirteen thousand institutions belonging to these self-governments. The local tasks of public administration are thus performed by no fewer than 3176 self-governments.

I.

It is also necessary to distinguish between the territorial self-governments (the self-governments of the capital city and the nineteen counties) and the settlement self-governments (all other self-govern-

ments). The territorial self-governments perform tasks relating to the whole or larger part of the capital city or county, but they do not exercise rights of control vis-à-vis the settlement-level self-governments. Thus local governance means not only the provision of local public services in a nar-

The population of the country is concentrated in urban settlements.

row sense, but also the exercising – in matters affecting the local community – of the public authority that has been devolved by the State. With no intermediate level of direction, local governance links about 3200 settlements with the ministries and national authorities directing matters in the various (professional) fields at the highest level.

The population of the country is concentrated in urban settlements: 63 % of the population lives in the capital city and other urban areas, 6% live in villages with more than 5000 inhabitants (126 self-governments), and 31% live in settlements with fewer than 5000 inhabitants (2833 villages). Almost 50% of villages have fewer than 1000 inhabitants; indeed 273 villages have fewer than 200 inhabitants.

This rather disjointed structure is difficult to co-ordinate for operational purposes. The structure is in part the result of the desire for autonomy that naturally accompanied the change of political system of 1989 and 1990. The advance of self-governance and self-administration is a progressive change. At the same time, in this fractured and disjointed system, it is difficult to achieve co-operation between self-governments, voluntary associations, and a concentration of resources aimed at realising priority tasks. The considerable autonomy of public administration, resources that are insufficient to resolve the tasks, and a limited room for manoeuvre in the field of economic management, together represent the fundamental anomalies of the system of self-government in Hungary.

In the 1960s and 1970s those European countries that focused on improving economic efficiency reduced divisions in their systems of local government. For example, Sweden reduced the number of its self-governments from 2500 to 278, Denmark merged 1388 settlements into 275 self-governments, Germany reduced the number of its local self-governments from almost 25,000 to 8500, and Belgium lowered the number of its local self-governments from 2663 to 589 by the late 1970s. This solution – which is sometimes called the Scandinavian model – is characterised by the substantial financial and economic autonomy of the self-governments coupled with a responsibility for a broad range of services. The Mediterranean model, on the other hand (e.g. the

French system), is characterised by a larger number of self-governments based on smaller settlements with fewer responsibilities and less autonomy.

International practice generally considers self-governments with between 2000 and 5000 inhabitants to be appropriate from the perspective of operability and efficiency. In terms of the average number of inhabitants of settlement-level self-governments (3300), Hungary finds itself in the lower medium range of European countries.

1. Under the laws relating to the self-governments, the settlement-level self-governments are required to ensure healthy drinking water, education and tuition at nurseries and primary schools, basic health and social services, street lighting, the maintenance of local public roads and cemeteries, the application of the rights of the national and ethnic minorities. Of course, based on their own decisions and capabilities, they also attempt to provide services that are important to the public in areas such as environmental protection, culture, road and public transport etc. This demonstrates that the self-governments accompany the lives of local people from “the cradle to the grave”.

2. In Hungary a source-oriented system is applied amongst the local self-governments. State distribution extends merely to state (budgetary) support. Such support plus sources arising locally (as well as credits) together cover the expenditure of the self-governments. Each self-government receives central support in a predominantly normative manner that may be calculated in advance. In addition, the self-governments may obtain their own revenues in a manner and scope regulated by law.

In addition to the normative state contribution, state support also includes individual forms of support that are announced in advance. Such forms of support include: channelled support, targeted support, supplementary support for local self-governments suffering disadvantages through no fault of their own, and other centralised contributions. The Hungarian Parliament determines the annual level of the various types of support.

Thus, the operation and economic management of the self-governments is

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Thus, the operation and economic management of the self-governments is based upon their own revenues, transferred revenues, and support from the central budget.



based upon their own revenues, transferred revenues, and support from the central budget. Although resources come from several different sources, a local budget nevertheless constitutes an integral whole. It is the local body of representatives that determines the use of resources, with due regard for the obligatory tasks.

The economic management of the self-governments represents the most complex subsystem of public finance. The subsystem consumes about one-quarter of the centralised and redistributed resources of public finance.

Within the subsystem of the self-governments, according to the budget for the year 2000, revenues amounted to almost HUF 1,700 billion. As a proportion of this sum, the self-governments' own revenue amounted to almost 30%, transferred revenue 15 %, state contributions and subsidies 25 %, accumulated and capital type revenue 10 %, and resources received from social security (health insurance) 13 %. (Other smaller items constituted the remaining amount.)

The expenditure of the self-governments in 2000 also amounted to about HUF 1,700 billion. Operational expenses comprised most of this sum (70%), while accumulated or capital-type expenses amounted to almost 20% of the total. The main items of current expenditure were education (25 %), health (16 %), social security and welfare services (13 %), and general community (administrative) services (16 %).

Almost 85% of assets worth about HUF 2500 billions served the provision of basic tasks.

3. Supervision by the State Audit Office has confirmed that overall the financial system of the self-government does provide for the operation of the settlements as well as their institutions. Nevertheless, as the audits of the SAO have repeatedly demonstrated, the system does not encourage the efficient and sparing use of available financial resources. Owing to the nature of their own financial resources and the inflexibility of the system of support, the conditions under which individual self-governments must provide for the tasks vary substantially. For this reason, "rich" and "poor" settlements have developed.

This is due not only to differences in the general level of development of wider geographical areas, but also to the fact that in settlements with fewer inhabitants (where there are significant industrial plants) the business tax has a decisive effect on the financial, economic, and development possibilities. Relative to the per capita average for the villages, per capita business tax revenue is twenty-seven times as high in the capital city, nine times as high in the cities (of county rank), and between fifty and seventy times as high in some other settlements.

In addition, there are substantial differences between the self-governments in terms of budgetary support. A large majority of settlements (approx. 80%) dispose of just 13% of total budgetary resources, while a small proportion of settlements (approx. 20 %) receives 87% of current revenue transfers. Moreover the division of assets shows a similar picture – with far-reaching consequences.

All this means that only a small proportion of the large number of self-governments is capable of proper economic management, launching initiatives, enterprise, and development. The operation of these elements requires a considerable input and may on occasion be accompanied by substantial financial risk. This is the reason that the SAO concentrates primarily on this area when auditing the self-governments. In this way, the SAO can expose risk and contribute to preventing loss.

4. The factors outlined above demonstrate the importance of the modernisation of the system of economic management of the system of local self-governments, among the series of diverse tasks associated with the current reform of public finance in Hungary. As the SAO's audits have shown, the main task is to reconsider the extent and nature of the role of the state in connection with the community tasks carried out by the self-governments. Mechanisms should be established that promote the more efficient use of financial resources in order to prevent a widening of the gap between settlements in terms of development and financial capacity. The investigations carried out by SAO, as well as the conclusions and suggestions made by the body, will continue to play an important role in promoting and accelerating this process.

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II.

5. In the member states of the European Union, the central government budgetary and local self-government budgetary subsystems of public finance tend to be audited by separate central (state) and regional (provincial) Audit Offices. In Hungary, however, the full range of tasks has been concentrated in one place: the State Audit Office supervises the economic management of the local self-governments (as well).

Although – as we have seen – the resources and subsidies of the state (central) budget and social security are of fundamental importance to the working of the system of self-government, central government is not currently in a position – by way of being the donor – to control directly the use of its funds by the self-governments. The self-governments are independent from the power of the executive and central government is unable to perform onsite checks. The financial auditing body of the Hungarian Parliament, the State Audit Office, performs this control, which includes onsite investigation.

The SAO may investigate wherever state funds are used or managed. The body functions according to an annual plan of audits. Each year the SAO performs investigations at about 3000 different sites (almost two-thirds of which are the settlement-level self-governments), preparing on average fifty reports. The parliamentary committees responsible then debate these reports. In addition to these thematic reports, the SAO also prepares an annual report, which it submits to the Hungarian Parliament. The annual report contains the main conclusions of the various audits and the use of previous suggestions.

From the perspective of the exercising of the Parliament's so-called budgetary right, special attention should be given to the auditing of the budgetary annual (final) accounts (including, of course, the annual accounts of the self-governments), which in fact forms part of the legislative process. As such, it is the special constitutional task of the SAO, serving as a guarantee of the constitution. A task of similar significance is the giving of an opinion by SAO concerning the budgetary bill (while this is not standard practice in the developed countries, it has nevertheless contributed to the

legislative and supervisory tasks of the Hungarian Parliament in the course of the democratic transition).

In Hungary the audits of the State Audit Office cover the whole of public finance (central budget, separate state funds, social security, local self-governments). They also extend to the enterprise and treasury assets of the state, as well as to the financial management of various organisations beyond the realm of public finance. The SAO's rights of investigation extend to the operations and financial management of public utility organisations, chambers of economy, state holding companies, the national news agency, and the Hungarian National Bank. A further important constitutional task is supervision of the legality of the financial management of the political parties.

The State Audit Office is an institution that is independent both politically and professionally. An expression of this independence is the fact that the president and vice-presidents of the SAO are elected by Parliament for terms of twelve years. Moreover their election is conditional upon the approval of two-thirds of the Members of Parliament.

6. With almost twelve years of operational experience, and relying upon the successful co-operation with the National Audit Office, the partner institution in the United Kingdom, the State Audit Office applies increasingly the supervisory norms and methodological recommendations of INTOSAI. In the course of its auditing work, the SAO is employing the best audit solutions and techniques, and it is continuing development by implementing a prudent adaptation of financial audit and value for money audit.

The financial supervision of central government, i.e. the central level of public finance (central budget, social security, separate state funds, state property), and of the local self-governments is performed by two organisational departments. These departments necessarily co-operate with each other. They are divided up internally and in terms of human resources in accordance with the tasks of financial audit, value for money audit, and the so-called comprehensive supervision. Each of the two departments engages 50% of the SAO's total supervisory capacity.

The State Audit Office supervises the economic management of the local self-governments.

The SAO may investigate wherever state funds are used or managed. The body functions according to an annual plan of audits.

The State Audit Office is an institution that is independent both politically and professionally.



7. The financial supervision of the local self-governments is performed by the Self-government and Territorial Supervision Section. The section has 120 qualified staff working in one office in the capital city and nineteen offices in the counties. Professional experts based at the SAO's headquarters direct members of staff. The section employs about 20,000 audit days per year.

Within the section's total supervisory work, in the year 2000 supervision of the annual accounts of the self-governments and giving an opinion concerning the budgetary law required 7 % of total capacity, supervision of the claiming, recording, and use of subsidies from the central budget required about 14 % of total capacity, investigations into asset management required about 10 % of total capacity, supervision of the provision of public services (including health, education, communal management etc.) almost 20 % of total capacity, and comprehensive financial and economic supervision almost 30 % of total capacity. (The remaining capacity was used on other investigations, assistance for the department supervising central budgetary institutions, and the drafting of methodological preliminary studies.)

8. In connection with the modernisation of public administration, the development of the treasury system, and the ongoing reform of public finance, and having special regard for the requirements of EU accession, from 2002 the State Audit Office will modify the proportion of time and energy spent on the various types of supervision of the self-governments. This change – which could be established on the firm ground of longer term professional and thorough work – will serve the demand put forward by the Hungarian Parliament and Government that the State Audit Office should make greater efforts through its supervision to assist the operation and financial management of the self-governments, to expose risk factors, and to promote the elimination of sources of loss. In an authoritative manner, the Hungarian Parliament will provide additional human and financial resources within the framework of the budget of the State Audit Office as approved by Parliament.

What is the essence of the change? Basically, the change will be expressed by the SAO spending more time and effort on the

so-called comprehensive supervision of the self-governments. It will achieve this by employing modern techniques and by implementing fewer but more targeted checks of budgetary connections. The SAO will rely on programs of inspection that have been redeveloped and are more modern than those previously in use. (This change of internal emphasis and ratio will be assisted by the fact that, as their structure of tasks evolves, the Treasury and the so-called Public Finance Office, as well as their regional and county branches, will play an increasing role in the supervision of the self-governments forming a part of the process of their budgetary relations.)

The modernised and developed comprehensive supervision is a type of inspection that affects the full range of self-government economic management; it will be repeatedly applied. SAO will perform a comprehensive inspection at all the local self-governments at least once during each parliamentary term (lasting 4 years). The substance of the inspection (financial and value for money audit), as well as its depth and direction, will enable an evaluation of the legal compliance of the management of public funds (commitments, remittance, countersignature), the co-ordination of tasks and financial resources, and the self-governments' internal systems of management, regulation and control.

By developing the supervisory program, it is possible to renew earlier practices and harmonise procedures with the requirements of the supervisory standards of the INTOSAI.

The fundamental direction and requirement of the modernisation of inspection procedures is that audits should now place greater emphasis upon:

- Exposing the main problems of financial management, and evaluating the critical points in the use of public funds;
- Evaluating the performance and efficiency of the provision of tasks, in addition to examining the effects upon the balancing of budgets ;
- Examining elements that represent high risk factors, such as various commissions, procurement, and the various forms of enterprise;
- Analysing the operation of internal management and control systems.

In an authoritative manner, the Hungarian Parliament will provide additional human and financial resources within the framework of the budget of the State Audit Office as approved by Parliament.



In the light of the differences of income and wealth of the self-governments and their different economic possibilities, staff at the SAO concerned with the auditing of the self-governments have developed special inspection programs for the comprehensive supervision of the self-government of the capital city and for the comprehensive supervision of self-governments of settlements with more than 1000 inhabitants and with less than 1000 inhabitants. These programs are supplementary to the modernised general ("basic") program of inspection and they direct extra attention to self-governments with special budgetary relations, in particular the self-governments of cities and towns. At the same time, the supervision of self-governments of settlements with fewer inhabitants will take place on the basis of a "simplified" program.

The comprehensive financial and economic audits not only help the self-governments and the management of the self-governments to develop appropriate financial management practices that fulfil the legal provisions. By revealing and classifying the trends, tendencies and underlying factors characterising the whole of the self-government sphere, and by drawing synthesised conclusions, the audits also enable the SAO to provide further assistance to the Hungarian Parliament (and the Ministry of Finance) as it performs its highly responsible work.

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- Jelentés az Állami Számvevőszék 2000. évi tevékenységéről [Report on the activities of the State Audit Office in 2000], Budapest, March 2001.
- Tájékoztató az Önkormányzati és Területi Ellenőrzési Igazgatóság 2000. évi vizsgálatainak értékeléséről [Information concerning the evaluation of the audits of the Self-government and Territorial Supervision Department], Budapest, June 2001.

By drawing synthesised conclusions, the audits also enable the SAO to provide further assistance to the Hungarian Parliament (and the Ministry of Finance) as it performs its highly responsible work.



Introducing Performance Audit The Experience at National Audit Office, Malta

CARMEL TONNA
Assistant Auditor General

Performance audit, a relatively modern development of the audit function, emerged due to a number of factors. Increased government intervention in the economy in the sixties, the emergence of the welfare state, the eventual enhancement of the competitive environment and better communication put pressure on administrations for more transparency and accountability. It may be argued that performance audit was a rational response to pressures on government administrations to reform, develop and modernize themselves.

Performance audit, a relatively modern development of the audit function, emerged due to a number of factors. Increased government intervention in the economy in the sixties, the emergence of the welfare state, the eventual enhancement of the competitive environment and better communication put pressure on administrations for more transparency and accountability. The emergence of management as a distinct discipline and the use of analytical tools to assess economic and social phenomena facilitated the drive for increased transparency and accountability. These environmental factors stimulated the emergence of performance audit as an approach to determine whether the objectives of government programmes and initiatives were being realized. Reasons for failure were sought and corrective action to bridge shortfalls demanded.

Performance Audit and Public Sector Reform

It may be argued that performance audit was a rational response to pressures on government administrations to reform, develop and modernize themselves.

Performance audit was introduced in Sweden by its RVV in the mid-1960s following a drive to modernize Sweden's government administration (*Performance Auditing at the Swedish National Audit Bureau, 1993*). In the 1960s pressure

started picking up in the UK for reform of the public audit system to reflect changes in the role of government over the course of the twentieth century. This pressure was then translated into the UK National Audit Act of 1983, which emphasized focus on performance audit, also referred to as value for money audit (*UK NAO Website*).

The co-relation between the emergence of performance audit and the drive for reform in public administration has also been experienced in Malta. Only the timing has been different. Performance audit was formally introduced in the National Audit Office, Malta (NAOM) in late 1999.

The Audit Office in Malta was set up in 1814. Section 70 of The Financial Administration and Audit Act 1962, the legislation governing public finance in Malta prior to being repealed by the Auditor General and National Audit Act 1997, stated that '*The Director of Audit may, in his yearly report, or in any special report ...offer any suggestions for... the more effective and economical audit and examinations of the public accounts...*'. In a recent publication by NAOM, *A Profile of the National Audit Office of Malta and an Outline of its History*, one reads on page 26 that 'As early as 1967/68, the concept of value for money appeared...' However, the concept was not taken on board for almost the next thirty years.

In the late 1980s, a change in Government with new policies, including an ap-

Performance audit was formally introduced in the National Audit Office, Malta (NAOM) in late 1999.



plication for EEC (EU) membership, was the prime mover for reform and modernization of the public service. A Public Service Reform Commission, set up in 1989, recommended changes desired in the public service to meet emerging local and global challenges. These recommendations included the setting up of an independent Audit Office with a new approach to audit: 'one that addresses the outcomes of departmental operations, rather than focusing exclusively on the processes, with a remit extending to value for money, operations, financial management and human resource management.'

The Way Forward

Having identified and determined the need for performance audit, a chain reaction followed. This reaction, which started in mid 1990s and is still developing, consisted of steps required to translate the new audit policy into concrete action of generating performance audits. These steps included having:

- a working legislation giving clear mandate to the State Audit Institution (SAI) to carry out performance audits;
- a management structure to house the performance audits;
- trained staff in disciplines required to carry out such audits;
- an appropriate culture for both the SAI and the auditees.

Legislation

The required legislation setting up the fully independent NAOM with the specific responsibility to carry performance audits was enacted in mid-summer 1997, almost ten years after the need for such audits was identified. The legislation clearly set the mandate and responsibility for the NAOM to carry out performance audits.

Section 3 of the First Schedule of the Auditor General and National Audit Office Act (XVI) 1997, states that '*The Auditor General may examine whether the department, office or other body whose accounts are being audited by him has used*

the funds and resources available to it effectively, efficiently, and economically without incurring expenditure which is unnecessary'.

Section 8(a)(ii) of the same Schedule states that '*The Auditor General may make special reports to the House of Representatives... dealing with value for money audit relating to efficiency and effectiveness of any department, office or body*'.

Management Structure

To meet its new responsibilities, NAOM had to restructure itself in order to house performance audits. It was decided that a separate audit section specifically geared for performance audits be set up and headed by an Assistant Auditor General. The newly created section, set up in late 1999, consists of audit teams that are being directed to specialize in this type of audit while still upholding a working relation and communication with the other sections of the Office responsible for regulatory and propriety audits.

NAOM had to start from scratch in training its staff in planning and executing performance audits. The NAOM adheres to performance audit standards determined by INTOSAI and by the European Implementing Guidelines for the Intosai Auditing Standard (No. 41).

In order to develop a strategic plan for the implementation of the performance audit policy, NAOM borrowed heavily from the vast experience reaped by the UK NAO over the years and which is available in its wide range of publications on the subject. At operational level, NAOM adopted the methodological approach to performance audit as promoted by the Sweden National Audit Office in its RRV Handbook in Performance Auditing, second edition. Obviously, adapting this methodology to fit our local requirements and environment.

Human Resources

Initially the staff was given hands on basic training in performance audit drawing on disciplines such as business management, cost accounting, economics, so-

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ciology, statistics and law. This wide range of required knowledge was almost non-existent at the NAOM when the legislation and structure were put in place. However, during the last two years efforts have been made to upgrade further NAOM human resources and to recruit new staff with tertiary level education in such disciplines. Moreover, consultancy services are outsourced especially where statistical and legal matters are concerned. NAOM also supplied its staff with the latest IT facilities such as e-mail and internet service in order to carry out their own research on the concept of performance audit itself and on the subjects under audit.

Cultural Changes

Cultural change to accommodate performance audits seems to be the most difficult step towards implementing the new type of audit. The impact of performance audit generated cultural changes both internally at the NAOM as well as amongst the auditees. For decades, staff at the NAOM carried out simple compliance or regularity audit based on the single transaction. With the advent of performance audit, division of labour had to be introduced to differentiate between regularity and performance audits. The emergence of an *us and them* attitude between staff of the two different types of audits was natural however, management regularly promotes the concept that the two types of audit are complementary rather than in competition with each other. Moreover, there was a spill over effect on staff members responsible for regularity audit in that for the first time these started considering auditees as systems rather than units where records of transactions are housed. Orientation to

regularity audit changed and developed as well.

All through the history of audit in Malta, the management of ministries and departments were rarely, if at all, challenged. Nobody questioned whether the management structures were adequate, or whether objectives determined by policies underlying government programmes and initiatives were being realized. Never were costs of delivering a service questioned. The initial reaction of auditees to performance audits was that they felt threatened. They considered a performance audit as a subtle way of being investigated, when it is not the case. After two years of performance audits this view may still be entertained by a small number of auditees. However, NAOM management reiterates the point that performance audits are ways and means to help auditees improve on their operations and outcomes.

NAOM still has a long way to develop further its performance audits. However, it surely has realized one of the primary objectives of performance audits, i.e. that of contributing towards change and improvement in the operations of the public sector. In Malta's case, the need for performance audit emerged from the need for public sector reform, and this is what performance audit by NAOM is delivering. The first half dozen performance audits were followed by changes and improvements in the structures, procedures and operations of the auditees as the latter's response to findings of the audits.

Through performance audit NAOM has developed its role from that of a guardian of the public purse to a change agent for public sector reform. A better use of the public purse is sought to the satisfaction of Parliament and the general public.

The NAOM adheres to performance audit standards determined by INTOSAI and by the European Implementing Guidelines for the Intosai Auditing Standard (No. 41).

NAOM also supplied its staff with the latest IT facilities such as e-mail and internet service.



Public Relations (PR) from the Viewpoint of Financial Control

DR. EDITH GOLDEBAND

Director of Public Relations of the Austrian Court of Audit

In this article, the concept “working with regard to the public”, which is a synonym of Public Relations (PR), is defined and understood as the management and administration of communications processes between organisations and persons with their reference groups (Source: Deutsche Public Relations Gesellschaft).

From the viewpoint of a Supreme Audit Institution, two reference points can be discerned for tackling the topic of “Public Relations”:

Public Relations Work in Financial Control

(1) On the one hand, the fact that the results of the accounts and management control are presented to the representation bodies and to parliament, and are submitted for public debate, means that it belongs to the nature of a State financial control. Information from parliament and publication of the results of the financial control via the communications media make a decisive contribution to the transparency of State actions and to the shaping of public opinion. A critical public opinion and the reports of the communications media, in addition to the recommendations of the SAIs, provide the required emphasis so that some unpopular measures and reforms can be introduced or put in practice with greater speed.

Likewise, within the framework of development of a public debate via the communications media, apart from the impartial consolidation of each argument, the reality and objectivity of them are essential, as are the confidence, the appearance and, with this, the credibility of an entire organisation with a view to convincing the public; a public which, rather than being a homogenous group, is presented as different partial publics of differing relevance.

In this context, the work of public relations in general, and of public relations of an independent SAI in particular, implies a complex process of communication, which

has to be “managed”, in other words, planned, prepared, designed, evaluated and directed in such a way that matters of financial control can be duly imposed against other opinions in a public discussion. This becomes even more important if it is borne in mind that the Supreme Audit Institutions do not on their own have any sanctioning powers.

Financial control of Public Relations

(2) Moreover, the multiplicity of opinions and thought among citizens, which is becoming ever more critical, has made the successful work of Public Relations for policy, administration and the economy essential and irreplaceable. At times in which budgets are consolidated, for which the people have to accept unpopular cost-cutting measures, the actual information and communication programmes, financed by citizens’ taxes, are subjected to debate and have to be properly justified with regard to a highly critical public opinion. From the point of view of financial control, this is a factor that must not be left to one side: although the value of a reputation or confidence (relation with the clients) is revealed in privatisations or in situations of crisis, and although the utility of a strategic work of Public Relations is absolutely beyond any question, both in theory and in practice, in the Public Relations sector the opinion has for a long time held sway that, although the costs of Public Relations measures can be calculated and recorded, it is virtually impossible, or is only possible in a rough way, to account the success or utility of Public Relations, unlike the situation with advertising.

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In consideration of the increasing public spending being destined for information and Public Relations measures, the question of the efficiency of the means used for this is naturally acquiring ever greater importance. It is clear that the taxpayer cannot be asked to provide millions for information campaigns without it being possible to demonstrate or justify the success achieved with those measures. In this way, for a SAI, the ever greater expenses that are budgeted for State communication constitute an interesting and very demanding field of audit.

The Austrian Court of Audit took up this challenge, among many others, in 1995, on the occasion of the review of the "Press Federal Service", which has the task of keeping public opinion duly informed on the work of the Federal Government. A visible and obvious success of this auditing of the Court of Audit is shown by the conversion that this institution proposes for the "Austrian report", which in particular informed Austrian delegations and representations abroad on current events in the field of politics, the economy and culture. This conversion transformed the report from a printed medium to an electronic one, a move that managed to cut annual spending on printing by a sum of 3.5 million ATS (= 254,000 Euros) and annual spending on mail by a sum of 1.5 million ATS (= 109,000 Euros). The Austria Report can be found in the Internet at www.oeberecht.bka.gv.at.

In 1998, the Austrian Court of Audit had to conduct an audit of the budgetary and economic management of the five political parties that were represented at that time in the Austrian Parliament, along with their parliamentary groups, with respect to the proper use of the public means that they were provided with in accordance with the law on political parties, or the law on the financing of parliamentary groups, respectively. An audit of this type must undoubtedly be regarded as special proof of confidence towards a public control body. In accordance with the tasks commissioned to it, unanimously approved by the National Council, the fundamental objective of the audit was to assess the proper use of promotion funds destined for "Public Relations Works", taking into consideration the audit rules according to the Constitution and the legal provisions in force.

As explained by the Court of Audit in a special report devoted to this subject, there was a specific need for a unified and unequivocal idea regarding the undefined and indeterminate legal concept of "Destined for Public Relations works".

For that reason, the Court of Audit recommended the creation of rules and directives in legislation referring to expenditure made "for Public Relations purposes", and it likewise recommended introducing the right of claim for the return of promotion means that have been improperly used.

This report can be consulted in the Internet at www.rechnungshof.gv.at, under the heading "Leistungen", Berichte Bund, Reihe Bund 2000/2 ("Services", Federation Report, Series Bund 2000/2).

The success of Public Relations presupposes the evaluation of programmes

Also outside the audits conducted by the Supreme Audit Institutions, the topic "Evaluation of Public Relations" appears as a burning issue in seminars and congresses. In spite of this, and to quote just one example, during the Seminar on Communications Media, which was extraordinarily well organised by the Polish SAI in April 2001 in Golawice close to Warsaw, this SAI had no objections to the introduction into the agenda for the Seminar of the topic "Evaluation of Public Relations", then proceeding to discuss the topic with experts from Supreme Audit Institutions.

As a result of this exchange of opinions and experiences, it can first of all be asserted that there exist different legal bases and therefore different criteria regarding the Public Relations sector. In spite of everything, the evaluation of programmes and the evaluation of those works constitute an essential integrating part of the strategic work of Public Relations of all participants in the seminar on this topic. Nevertheless, in practice there exists a demand for practical and practicable methods and of unitary indices that can be applied both to the work of Public Relations in the strict sense and also to the framework of reviews. In view of the results, the speakers in the Seminar on Communications Media accepted and recognised the following procedures:

In this context, the work of public relations in general, and of public relations of an independent SAI in particular, implies a complex process of communication, which has to be "managed", in other words, planned, prepared, designed, evaluated and directed in such a way that matters of financial control can be duly imposed against other opinions in a public discussion.



(1) *Setting of criteria for the evaluation of programmes and measurement methods*

The inevitable prior requisites for being able to make declarations on the success of a Public Relations measurement are: having objectives that are reproducible and measurable, in which case the work of Public Relations is immediately conditioned by the strategic objectives of an organisation. The success of a Public Relations measurement will be able to be justified with great difficulty or it may not be demonstrated at all if one is working with undefined concepts and data and the rules, in other words the criteria, are not stated in advance, since they have to be decisive and determinant for the success of the adopted measurement.

For this reason, from the point of view of financial control, the formulation of measurable communication objectives –after having defined and analysed the real situation– takes on a very special relevance, as does the determination of firm data for certain specific actions of Public Relations and the specifying of planned methods of verification.

One of the objectives of the communication, taken directly from practice, consists for example in achieving “greater attention” for a certain topic. Bearing in mind the evaluation and valuation that has to be made later, a definition first of all has to be made of how it is intended to achieve this “greater attention” and how it must be measured, since in this regard there can be different criteria of success, for example: the number, volume, site and location, as well as the appearance of the reports in the media or the number of editions reached.

(2) *Analysis of the repercussions of the media*

The analysis of the repercussions obtained by the communications media implies another generally recognised method for the evaluation of programmes, and it is a method that can be applied in different ways. The basis for this method is, in any case, and first of all, the quantitative registry of the repercussions of the media, for which certain requirements have to be made of this registry of media contribu-

tions (releases, letters, clippings, etc.) in order to make sure that the determinant information, such as might be: date of appearance or broadcast as appropriate, edition volume, dissemination, scope, number of pages, authors, etc., are available in accordance with needs in order to be able to make broader and more extensive quantitative and qualitative assessments.

Owing to the repercussions that the communications media have, a check is usually made of the equivalence of the announcement or advertisement, for which the costs of insertion of a comparable announcement is taken as reference in order to represent the value generated by the corresponding Public Relations measurement.

So, the repercussions of the media shape the basis for statistical valuations and for broader qualitative analyses, therefore representing the backbone of the control over the success of Public Relations works.

The specialised bibliography offers models and checklists for practice, and this documentation can also be consulted via the Internet at www.pr-evaluation.com.

A fundamental problem for all analyses of the repercussion of the communications media lies in the fact that, with this instrument, although published opinion is analysed and studied, this does not always necessarily coincide with the real opinion of those who receive it or who are its recipients (listeners, television viewers, readers). Moreover, the information that appears in the communications media is affected by other “external” factors and conditions, which cannot be influenced, not even by the particular specific measurement of the Public Relations works. For this reason, the results obtained following an analysis of repercussions on the media must always be interpreted with due caution.

These doubts and imprecisions can be removed by means of consultations and surveys which, if they are meant to be really representative, imply extremely high costs. As an alternative that is respectful of resources, the possibility is offered of seeking confirmation of the results by means of various events, either well-organised seminars or to ask the opinion in this regard from influential personalities in this field. Collaboration with universities and technical colleges is also a route for being able to

The actual information and communication programmes, financed by citizens' taxes, are subjected to debate and have to be properly justified with regard to a highly critical public opinion.



conduct research into opinions or effects at relatively low financial cost.

(3) *Evaluation of Internet programmes*

The Internet has, for some time now, been regarded as an indispensable communications medium, in which the aim is to achieve success in one's presence or appearance in the Internet, in other words, the creation of one's own highly successful Web page (Website). A Web page is regarded as being successful if it has a lot of visitors, in other words, if it is consulted by lots of people. It can therefore be said that the number and behaviour of visitors to a Web page are the unquestionable basis for the evaluation of Internet programmes. The starting point for demonstrating the success of the Web page in any case consists of the Log file created by the Web server, in which are registered the access data to that page (calls, consultations, hits, etc.). These registered data are statistically evaluated in order to be able to determine the number of visits made to that page, the number of people who have requested it, the length of time spent in the page, the "origin or source" of visitors, and other information related to the use of a Web page.

In the interpretation of these statistics, it must be borne very much in mind that the number of accesses to a Web page, as

registered in its Log file, depends on the configuration of that Web page. On the other hand, accesses or consultations of the page that are made via a "Proxy" server are not registered or accounted. Consequently, it can be said that, considered objectively, the number of registrations in itself is a fairly inexact measurement for the purposes of determining the success of a Web page. Indeed, if for the determination of accesses to the page (Page Impression, Page Views) account is taken of just those registers, which refer to an HTML file, or just the application processes related to the use of the page (Visits, clickstreams) which are recognised by an external browser, then from all the data thus obtained there is no doubt that it will not be possible to deduce the number of people (visitors) to the page, since the possibility exists that different people are accessing the page from the same computer.

Summary

In the field of Public Relations one frequently works with imprecise and doubtful concepts and data. From the viewpoint of external public financial control, the formulation of measurable and assessable objectives and clear and defined criteria of success takes on an extraordinary importance.



Knowledge management in the NAOD – Lessons learned

YVAN PEDERSEN AND MICHALA KRAKAUER
The National Audit Office of Denmark

In recent years, the National Audit Office of Denmark (NAOD) has attempted to focus and enhance the area of knowledge management. The NAOD considers the most important aspect of knowledge management to be "how to develop and maintain relevant knowledge in our organisation, and how to make sure that this knowledge is shared and rooted in the organisation".

Introduction

As a part of this process, it is crucial to make the implicit knowledge in the organ-

isation explicit. It is also of vital importance that knowledge is rooted in the organisation's procedures and processes, and thus transformed from being individual

persons' knowledge to the organisations' knowledge.

The NAOD has come to understand that knowledge management is important for the efficiency of our organisation, and for the well-being of our staff. The NAOD has started the process but there is still a long way to go. Even though the NAOD still has a long way to go, we believe that perhaps it would be useful for other SAIs to learn from our lessons – how the processes started, and additional lessons learned in developing a strategy for knowledge management.

Why is knowledge management important to SAIs?

The simple but essential point is that all SAIs are knowledge intensive and therefore – as a natural part of their management – SAIs need to be aware and focus on knowledge management. Knowledge management in SAIs is also important because staff needs to be both specialist in certain matters and generalists in other matters. SAIs need to have a wide but also deep knowledge about the state administration/ all the ministries.

Knowledge management is important for every knowledge intensive workplace in society, in fact it is a decisive factor for most workplaces.

A brief description of the NAOD (organisation and staff)

The NAOD employs approximately 260 staff within a wide range of disciplines, reflecting the many tasks that the Office carries out. The NAOD has during recent years made a number of organisational changes, which have resulted in increased specialisation. This specialisation has given staff increased experience, knowledge and insight within their area of experience. The NAOD is divided into departments and offices, with each department managing primarily either financial audit or performance audit. The organisational specialisation has indeed increased the NAOD's effectiveness, but it has caused an urgent and crucial need for inner organisational knowledge sharing.

The knowledge management project in NAOD

Realising how important the sharing and rooting of knowledge is for an organisation, the NAOD decided to place knowledge management on top of the agenda and therefore initiated a special project on knowledge management and knowledge sharing.

In the autumn of 2000, the NAOD made a knowledge statement based on questionnaires to all the staff-members of the NAOD, information given from the IT unit and other relevant sources of information. The statement was published as part of the annual report on the activities of the NAOD in 2000. The NAOD knowledge statement included:

1. Knowledge about the vision, objectives, strategies, products and methodologies of the NAOD.
2. Development of competences
3. Job satisfaction – with a focus on the following aspects: training and development, management, culture, and working pride.
4. Working processes.
5. Possibilities for taking initiatives and getting new ideas accepted.
6. Knowledge sharing
7. External relations.

This was carried out in order to discover the conditions for gaining, exchanging and rooting knowledge. The results in the statement showed, that the NAOD – in average – has acceptable, and in some areas even fine condition for gaining, exchanging and rooting knowledge. However, some areas needed improvement, especially areas relating to the working processes and the sharing of knowledge between departments/offices.

The NAOD decided to arrange a seminar for all NAOD staff about: Knowledge management and knowledge sharing. The seminar consisted of 8 workshops representing all professional staff groups in the NAOD. The workshops all dealt with different parts of knowledge management and knowledge sharing in NAOD.

The seminar revealed many new ideas about how to develop and how to organise knowledge management and knowledge

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The simple but essential point is that all SAIs are knowledge intensive and therefore – as a natural part of their management – SAIs need to be aware and focus on knowledge management.



sharing in order to improve our organisation. Emphasis was in particular placed on inner organisational knowledge sharing and transforming implicit knowledge into explicit knowledge. It was also stressed, that there is a need for both formal and informal channels for knowledge sharing. It was stressed, that the commitment of the managers in the implementation of new procedures is crucial for the success of the project.

As a result of the seminar, it was decided that the project should continue in small groups, representing all professional groups of NAOD staff. Four groups were created to develop:

1. A strategy for knowledge management
2. A revised version of the NAOD values
3. Knowledge sharing in NAOD, especially inner organisational knowledge sharing, making procedures/processes on how to share knowledge between colleges from different offices and departments.
4. Strategic development of competences.

In the near future, two or more groups will be launched to examine:

5. Working processes and best-practice models

6. Coaching new staff

The groups are now working to come up with suggestions for changes and development. Most recently a seminar was held reporting on the status of the projects. It has been decided, to make a follow-up on the intellectual statement in the annual report on activities of the NAOD in 2001, which is to be published in the spring of 2002.

The never-ending process!

A project like the one launched in the NAOD is a long-term project, and the effects are neither immediate nor apparent. However, there is no doubt that the process will improve the production in NAOD, as we learn more from each other, and as we focus more on the way we want to develop our organisation. The process will reduce frustration and increase job satisfaction, and hopefully establish efficient networks within our organisation. The knowledge management in SAIs is a constant challenge but if you handle it right, it will be a developing and fruitful task!

The organisational specialisation has indeed increased the NAOD's effectiveness, but it has caused an urgent and crucial need for inner organisational knowledge sharing.



The New Institutional Status of the State Audit Office of Finland

LEENA JUVONEN,

Special Researcher, Internal Services

According to the new Constitution of Finland the State Audit Office (SAO) is organised into the affiliation of the Parliament. The predecessors of the present State Audit Office all operated under the Ministry of Finance. According to the new Constitution of Finland this relation ended on 1 January and the independent State Audit Office started its work organised into affiliation of the Parliament.

On November 24, 2000 the Parliament appointed Mr. Tapio Leskinen to the post of Auditor General of the new State Audit Office for a term of six years. The first term started from January 1, 2001.

The Strengthened Independence

The reform strengthens the State Audit Office's independence since it is now organizationally and operationally indepen-

dent from the administration which it audits. In this regard it is also of key importance that the Office's tasks are prescribed by law and that the Office can only be given tasks through an Act of Parliament. The Office's task is to audit the state's financial management independently. The State Audit Office's independence is also increased by the fact that it decides on its own administration and operates as a separate agency from the Parliament.

New Advisory Committee

The State Audit Office has a statutory advisory committee whose task is to maintain and develop the SAO's connections with cooperation partners, present initiatives to develop auditing and monitor the focusing of audits, their effectiveness and ability to serve different cooperation partners. The SAO has appointed representatives of key cooperation partners as well as experts from financial administration and the public economy to the advisory committee.

New Annual Report to the Parliament

The State Audit Office will submit a report on its activities to Parliament each year and separate reports as necessary. The SAO will submit its first annual report to

the Parliament in September 2002. That will include an account on SAO's activities, SAO's statements on the state's annual accounts as well as key audit observations and recommendations.

The New Judicial Status and New Challenges

By a constitutional amendment the Finnish Parliament reformed the judicial status of the State Audit Office. Reform was motivated especially by two arguments: first, the strengthening of the budgetary (oversight) powers of Parliament and second, the strengthening of the independence of the SAO according to the international (INTOSAI) standards.

Although the basic task of the State Audit Office did not change in this renewal, the new status brings the SAO many new challenges especially concerning the ways and methods of reporting its audit results to Parliament. The main challenge in this process is to develop the contents of the report of SAO so that it would serve as well as possible expectations and needs of the Parliament.

For further information, please contact the State Audit Office of Finland, Annankatu 44, P.O.Box 1119, FIN-00101 Helsinki, Tel: +358 9 4321 (switchboard), Telefax: +358 9 432 5820, registers e-mail: kirjaamo@vtv.fi, Internet: <http://www.vtv.fi>

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The first European Seminar on Environmental Auditing

THERESE JOHNSEN

Director General

The Office of the Auditor General of Norway

Environmental policy is constantly making inroads in ever more areas of the government administration and has thus also become a central task for supreme audit institutions. What is special about environmental auditing in relation to other areas of auditing? What can we learn from projects within environmental auditing carried out in other countries? What international environmental issues lend themselves to collaboration between supreme audit institutions? These were some of the many questions that were discussed at a EUROSAI seminar on environmental auditing held in Oslo from 14 to 16 May 2001.

Norway and Poland were the hosts of the first international seminar on environmental auditing. The seminar was opened by the Norwegian Minister of the Environment Siri Bjerke, and was attended by some 80 auditors representing 27 European countries and Canada. It was a prerequisite that all the participants should work with environmental auditing on a daily basis.

The broad programme alternated between presentations of concrete environmental audits in various countries, introductions where visions were raised and lectures by experts that are not members of the auditing community. The discussions around the dinner table and in the lounges were lively. Most of the people in the environmental auditing community were present, and many new contacts were made.

What is special about environmental auditing?

“It’s an art, not a science”, said Joe Cavanagh from Great Britain in a lecture on the challenges associated with establishing a good system for environmental auditing. He indicated many relevant factors that have consequences for the design of an audit, of which we would like to focus on four here.

Firstly, money is not central to the audit. Secondly, the objectives of a nation’s

environmental policy are frequently in conflict with other political objectives. If the politicians have not defined the priority between them, it is extremely difficult for the auditors to ascertain clear criteria on which to assess the performance of the agencies being audited.

Thirdly, in many cases, the public authorities are not the most central actors. Environmental policy deals with a whole host of groups that the authorities must reach in order for the objectives of the environmental policy to be fulfilled: consumers, manufacturers, institutions, etc. These groups often have conflicting interests, meaning that it may be necessary for any environmental audit to take account of a range of groups and institutions.

A fourth feature of environmental auditing consists in the problems of measuring. Damage to the environment may be a consequence of otherwise perfectly legitimate activities, such as driving a car or running a factory, and the authorities therefore often choose indirect policy instruments, for example taxes and subsidies. It is difficult to measure the impact of these kinds of policy instruments in their own right. The fact that environmental problems cross national borders further complicates the task of measuring the effectiveness of implemented measures. In order to have sufficient grounds to draw conclusions, it is necessary to use several methods and see if the results all point in the same direction.

The objectives of a nation’s environmental policy are frequently in conflict with other political objectives.



What consequences does all this have for the design of environmental audits? Above all, it often leads to *extensive* projects. In the discussion that ensued after the lecture, it became clear that many supreme audit institutions find it frustrating that environmental auditing consumes so many resources and is often so protracted. Nevertheless, Mr Cavanagh warned against oversimplification of such intrinsically complex problems. However, a well-planned audit design will be able to save a lot of time and mean that we avoid a number of dead ends.

The scope of environmental auditing

Although most of the European countries now have an explicit environmental policy, which naturally forms the basis for an audit in the area, defining the scope of an audit is still no easy task. This was also the conclusion of a report¹ that INTOSAI working group on environmental auditing published about the developments in environmental auditing in the period 1995 to 2000. A questionnaire was sent to all the member countries, and Pieter Zevenbergen, Member of the Board of the Netherlands Court of Audit, presented some of the findings from the report at the seminar. First of all, many of the supreme audit institutions felt that in recent years environmental policy has become very vague, meaning that the criteria on which an audit can be based have become weaker. Secondly, ever more levels and institutions are becoming involved in the work to improve the environment. A simple audit will not be able to encompass this entire, complex picture, and it may be difficult to point out who is responsible. In addition, not all the supreme audit institutions have the opportunity to audit on the local and regional levels, where much of the environmental policy is implemented.

In 2000, the same amount of resources were used for environmental auditing as in 1995, but the number of reports produced has decreased. One explanation may be that performance audits have become more comprehensive and more common. Performance audits require more resources

than regularity audits. There are also more joint audits where several supreme audit institutions cooperate, and such audits can be more demanding than national audits. They are, however, usually adding more value to the community and thus offsetting the increased cost. Although fewer reports have been produced, the results of the Third Survey on Environmental Auditing, carried out by the INTOSAI Working Group on Environmental Auditing, indicate that the *quality* of the reports has improved.

Which environmental agreements are the most fruitful to audit?

The INTOSAI Working Group on Environmental Auditing has developed criteria for selecting international environmental accords for audit, and it was suggested that three main factors should be considered:

a) *national implementation*: The authorities should have all the information that is necessary to audit implementation, and it should be reliable. If the information collected suggests that the agreement is being implemented, there is no reason to initiate an extensive investigation.

b) *aspects of the agreement*: The agreement should deal with a topic that has a high environmental risk or where there is an urgent need to institute changes. It should set clear requirements to implementation and be ratified by the parliament, thus making it as binding as national legislation. The age of the accord is also relevant. Some measures must have been implemented before an audit can start, but the audit institution should not wait so long that the agreement has lost its interest. In this respect supreme audit institutions ought to assume responsibility in certain cases for getting “forgotten” but important cases back on the agenda.

c) *context*: Attention should be focused on agreements that are linked to something special that has happened recently and that make the particular accord topical. An example of this kind of timing is in the Netherlands, where they are currently au-

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¹ Results of the Third Survey on Environmental Auditing (2001), INTOSAI Working Group on Environmental Auditing.

ding climate policy. The report will come in the wake of the Hague Conference, which placed the issue high up on the agenda, but before the authorities reassess climate policy.

Many exciting environmental auditing projects were presented

Supreme audit institutions from 13 countries plus the EU gave presentations of their activities in the environmental area, most of which were focused on a specific audit they had carried out recently or were working on at the time. Seven of the environmental auditing projects dealt with water pollution of some kind: to rivers, sea areas or groundwater. Two countries presented audits of waste management, two dealt with air pollution, and one was an audit of a national park. The choice of topics concurred with EUROSAI's strategic plan for environmental auditing for the period 2001–2002.

Many of the former East Bloc countries have not been performing environmental audits for very long, because it has taken time for them to build up an auditing institution after a new constitution and because some of the regulations in the environmental area are too new to be audited. This transition and the new environmental legislation were therefore topics in the Czech presentation. However, some of the projects are very comprehensive. For example, Poland's audit of waste management included 140 units, representing both the government administration and plants that produced or received waste. Whereas the Danish audit of pollution to the North Sea used a sample of eight municipalities, Romania investigated all of the river districts in its audit of pollution to the Danube. In terms of means of collecting data, most countries used a wide variety of methods: questionnaires, inspections and interviews were often used in addition to document review. Some countries also mentioned positive experiences using focus groups and external experts at an early stage in order better to grasp the essence of the field under audit.

Although some themes were recurrent, there was great variation in the way in which audits were designed and organised. In many cases, this was due to differences

in the institutional role of the supreme audit institution. Both Norway and Greece presented audits that dealt with shorelines, and the differences between the two audits illustrate how different the roles of the supreme audit institutions in the two countries are. In Norway, an audit is currently underway into how the government administration is following up the prohibition on building within a 100-metre belt of the shoreline. The goal is to gain an overview of how much has actually been built in the shoreline zone during the last two decades and the government administration's practice with regard to enforcing the prohibition on building. At the seminar, a case was presented where the supreme audit institution of Greece had withheld payment in connection with a motorway that was due to be built along the coast. They felt the plans did not show sufficient consideration to the shoreline, which is protected in the constitution as a public asset. In another case, the Greek supreme audit institution criticised the way money had been used in an environmental project. The EU had allocated funds for monitoring the water quality on public beaches. However, no permanent body had been established to monitor the water quality systematically. Instead, the assignment had been given to private agencies that collaborated with the authorities on an irregular basis, and this was not in keeping with the appropriations, in the opinion of the supreme audit institution.

Supreme audit institutions are collaborating across national boundaries in environmental auditing

Joining forces to audit implementation of international conventions is fruitful, not only because many environmental problems cross national boundaries, but also because collaboration will promote production of knowledge and expertise in this relatively new field of auditing.

Water pollution constitutes the environmental problem that has most frequently been the subject of collaboration between supreme audit institutions in Europe to date. Four major regional projects can be mentioned. All the countries that have signed the Helsinki Convention on the Protection of the Marine Environment of

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the Baltic Sea Area, with the exception of Germany, participated in a joint project to audit implementation of the Convention. Denmark, Iceland and Norway have all dealt with the OSPAR Convention and have reviewed the effectiveness of measures that are intended to limit discharges to the North Sea. The Danube flows through Romania, Bulgaria, Slovakia, Croatia and Slovenia, and these countries have collaborated on a joint project based on the 1994 Danube River Protection Convention. Finally, we should mention that a joint project is about to be initiated to audit pollution of the Black Sea.

In addition to these water pollution projects, we also heard about a joint pro-

ject between Poland and Slovakia on the management of national parks, and a project between Poland and the Czech Republic about measures to protect the ozone layer.

The chair of the EUROSAI Working Group on Environmental Auditing, Zbigniew Wesolowski from Poland, reported that the collaboration on the Helsinki Convention had been difficult, but would become an international standard for these kinds of joint projects. The results of the collaboration are not only visible in the project in hand, but will also be useful for the next audit. This underlines the importance of sharing experiences, as the countries of EUROSAI did at the seminar in Oslo.

The INTOSAI Working Group on Environmental Auditing has developed criteria for selecting international environmental accords for audit.

Developments in Health Value for Money Audit

KAREN TAYLOR

UK National Audit Office



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Karen Taylor, winner of the Public Finance Public Servant of the Year Central Government award 2001, explains the National Audit Office's approach to value for money audit and how the Health VFM team have adapted their approach in response to developments in the health sector.

About the Department of Health and the NHS

The Department of Health (Department) is responsible for the stewardship of over £48 billion of public funds in 2001-2002. It advises Ministers on how best to use funding and other mechanisms to achieve their objectives, implements their decisions and supports Parliamentary and public accountability. The Department sets overall policy on health issues and is responsible for the provision of health services that are free at the point of delivery, a function that it discharges through the National Health Service (NHS). It employs over one million people and is the largest single employer in Europe.

The National Health Service has existed since 1948. It was founded on the principles of providing access to care to all on

the basis of need, not ability to pay. For many years the NHS enjoyed an enviable worldwide reputation and has been at the center of a range of pioneering and technological breakthroughs such as hip replacements, cataract surgery, vaccine development and gene therapy. However, over the last 20 years the public's increasing knowledge and growing expectations of the service have presented it with significant challenges. While the public continues to support the principle of a free health service, they have become increasingly concerned that the NHS should keep pace with changes in society and deliver the highest quality of care and efficiency.

In 1997, the new Labour Government was elected on the strength of a manifesto that included a strong emphasis on health issues. Promises in terms of reduced waiting times, improved services, greater

transparency and accountability and perhaps more significantly, increased resources, raised expectations significantly and led to greater media and public focus over the last four years. In July 2000 the Government issued the NHS Plan which acknowledged that there were significant problems in the NHS. The Plan noted that many facets of the NHS have remained largely unchanged since the 1940s. In particular, that NHS funding has failed to keep up with the healthcare systems of other comparable countries and there are also too few doctors, nurses and other key staff to carry out all of the treatments required.

In publishing the Plan, the Government made a commitment to a sustained increase in NHS funding, which over five years is expected to increase spending by a third in real terms. In return for this increase the Department of Health is required to modernise and drastically reform service delivery. Other significant changes introduced by Ministers include new powerful NHS inspection bodies to monitor performance, such as the Commission for Health Improvement and the new Patient Safety Agency.

The recent elections in June 2001 saw the Labour Government returned for a second term. However during the election campaign the public and media were critical of what they perceived to be a failure to deliver improvements in the NHS fast enough. The expectation now is that the changes proposed in the NHS Plan will be pushed through much more rigorously.

Health VFM audit

Our Health VFM examinations, like all NAO VFM examinations, look in detail at specific Departmental spending programmes and activities in order to assess performance, identify good practice and recommend ways that service to the public can be improved. We consider whether the Department of Health is spending public money economically (minimising costs), efficiently (maximising the ratio of outputs to inputs) and effectively (whether the actual outcome was what was intended). The statutory framework within which we work requires us to assess the way that the Department implements Government poli-

cies but not to question the policies themselves.

Our aim in selecting subjects for investigation is to ensure that we are focussing on topics where there are both risks to value for money and where our scrutiny can contribute towards the biggest improvements. Our initial approach, the feasibility stage, is to learn as much as we can about the audit field through literature review, attendance at sector conferences, discussions with key personnel and visits to selected hospitals and health authorities. This enables us to identify the key issues facing the NHS in any one area and to understand the initiatives and developments that affect delivery of healthcare in that area. Because the Department of Health's main function is to provide healthcare to patients, much of our audit focuses on how well this service is being provided at the point of delivery. This means examining and comparing the performance of individual hospitals, health authorities and healthcare practitioners.

The next stage in our audit is the preliminary study stage. As part of this stage we identify and analyse existing databases and draw on any published reports and research. We also develop the methodology for the full investigation stage. Over the last ten years or so, the Department of Health has not collected much information centrally and therefore most of our studies require us to survey the audit field to collect the data we need from individual operating units. The result of this is that we often have a unique data set, which we can share with the Department, providing further value from our work. An important aspect in the way we carry out our work is the establishment of expert advisory groups to give credibility and authority to our studies including providing support to the methodology and the findings and recommendations that we present in our reports.

Because of the constant and increasing public scrutiny of NHS developments, examining the VFM with which healthcare is provided is a high profile and challenging job, with the goal posts being frequently moved as new initiatives emerge. Against this background of rapid and constant change the NAO's Health VFM programme has also had to adapt and change. Box A lists the studies we have carried out

The Department sets overall policy on health issues and is responsible for the provision of health services that are free at the point of delivery, a function that it discharges through the National Health Service (NHS). It employs over one million people and is the largest single employer in Europe.

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over the last two years, including the scope, methodology and impact. The rest of this article uses these studies to illustrate how we have adapted to our changing environment.

Being more forward looking

A recent theme across NAO studies has been to try and work more with Government and Departments, not against them. We have acknowledged that there is an element of risk involved in trying to modernise the public sector and recognised the achievements as well as identifying problem areas. As David Davis, Chairman of the Committee of Public Accounts, stated in a presentation to National Audit Office/Center for Management and Policy Studies Seminar:

“Innovation is crucial if public services are to improve and innovation involves risk. As champions of the need to provide better, faster, more effective public services my Committee recognises the imperative to innovate and accepts risk taking as the price to be paid. But equally as the guardians of the taxpayers money, we expect to see risks minimised and managed”.

So while our studies still look at poor performance the emphasis is now on drawing out lessons and good practice to avoid problems from re-occurring and improve working practices. For example in our report on the management and control of hospital acquired infection in Acute NHS Trusts we commended the professionalism and dedication of NHS hospital infection control teams and identified many examples of good practice which others could learn from. We also identified the need to improve the strategic management of hospital acquired infection; the lack of information about the extent, cost and impact of hospital acquired infection; and that there is considerable scope to improve prevention, detection and containment measures. The report acknowledged that the Department has put in place guidelines, action plans and initiatives to improve management and control but that more progress in applying all this was needed. We now plan to do a follow up study over the next few years to check that good practice is being

adhered to and infection rates continue to reduce.

Joined up health = joined up audit

The Government has acknowledged that all public services need to operate in a more joined-up manner in the future. Healthcare is becoming a more integrated process, with closer working links being developed between primary care (doctors in surgeries), secondary care (hospital and ambulance services), social services and community care. While fully joined up healthcare services are still some way off, our audit approach has adapted to this by taking a view of the whole system, rather than examining the NHS in isolation.

Our recently published report ‘Tackling Obesity in England’ provided the first review of all recent and ongoing cross-Governmental initiatives aimed at promoting healthier lifestyles and reducing levels of obesity. We examined the effectiveness with which five Government Departments and Agencies, responsible for education, transport and environment, food standards and sport, worked together.

The NAO has also embraced the concept of a Modernising Government approach by working with other inspection bodies and health audit experts, such as the Audit Commission (who are responsible for auditing local Government and health authority expenditure). Through working together we aim to demonstrate that we too are capable of joining up to be more effective.

Our recent study on educating and training healthcare professionals (2001) was carried out jointly with the Audit Commission, but as two separate reports focusing on two aspects of health care professional training. The NAO study focused on education and training for new recruits to the NHS, whilst the Audit Commission focused on continuing professional development. They were launched at a joint press conference however! By working together we have been able to provide a comprehensive picture of education, training and staff development in the NHS and made significant practical recommendations for improvement which are being taken forward by the NHS.

While the public continues to support the principle of a free health service, they have become increasingly concerned that the NHS should keep pace with changes in society and deliver the highest quality of care and efficiency.



We consider whether the Department of Health is spending public money economically (minimising costs), efficiently (maximising the ratio of outputs to inputs) and effectively (whether the actual outcome was what was intended).

National health priorities

The NHS Plan made a commitment to improve services significantly for the treatment of Coronary Heart Disease and Cancer, by making them national priorities. In response, we first plan to carry out a suite of cancer studies to see what progress has been made in improving screening diagnosis and treatment and cancer management services.

Obesity is known to be a major risk factor contributing to the onset of Coronary Heart Disease and, as in the rest of the world, levels of obesity are rising at unprecedented rates, having nearly trebled in England in the last 20 years. Although reporting on this lifestyle issue may seem like an unlikely topic for the NAO to investigate, we felt that this was an area where we could comment constructively on the implementation of the Government's strategy towards the problem. We commissioned a unique piece of independent research and estimated that the costs of obesity to the NHS and the economy were at least £2.5 billion annually. Putting a figure on the scale of the problem, together with practical suggestions on how the NHS and other bodies could seek to prevent and treat obesity more effectively, put tackling the subject higher up the Government's agenda.

Improving services for older people is another key objective for the NHS, with additional investment of £1.4 billion on health and social services for older people by 2004. As part of our future VFM programme we have created and mobilised a cross-cutting team to carry out a number of studies on the Elderly, including one on healthcare for the elderly. This study will be part of a series of studies focusing on public services for the elderly including the take up of benefits, electronic service delivery, increasing flexibility in the workplace for over 50s, and addressing the needs of elderly people in policy making.

Patient Focus

The NHS has pledged to redesign the health service around the needs of the patients and not the provision of clinical services. In response to this switch in emphasis, our studies have moved steadily over

the last five years from focusing on inefficiencies in procedures in organisations to examining the impact they have on the patient. For example, our study on hospital acquired infection looked at the implications for patients of acquiring an infection and demonstrated that there is scope to reduce such infections, on average by 15 per cent. In publishing this report Sir John Bourn, head of the National Audit Office said:

Hospital acquired infections are a huge problem for the NHS. They prolong patients' stays in hospital and, in the worst cases, cause permanent disability and even death. By implementing the National Audit Office recommendations the NHS could make real improvements in the quality of care for patients and could free up significant additional resources for patient care".

Similarly our study on the handling of clinical negligence claims against the NHS illustrated the importance of dealing in a timely and effective manner with claims. A main theme of the report was an evaluation of the financial and non-financial remedies sought by patients making claims, the barriers to their making claims and the ways in which creative approaches have delivered solutions which are satisfactory to both the NHS and claimants.

Improving Communication

The Department consults with experts in the field prior to introducing new policies and procedures. One such consultation exercise was undertaken mid-way through our study on educating and training the future health professional workforce for England. This consultation, which was aimed at changing the way the NHS plans and develops its workforce including reviewing workforce planning and commissioning, cut across a number of aspects of our work. We therefore responded to the consultation exercise by providing details of our emerging findings, highlighting issues that we believed should be addressed. In this way we were able to contribute to the consultation exercise and influence events rather than publishing our views once decisions had already been taken. The NHS was able to take on board our comments in defining its new approach

An important aspect in the way we carry out our work is the establishment of expert advisory groups to give credibility and authority to our studies including providing support to the methodology and the findings and recommendations that we present in our reports.

A recent theme across NAO studies has been to try and work more with Government and Departments, not against them.



While the Department still issues guidelines, in many instances it also convenes focus groups, workshops, seminars and conferences to ensure that messages are disseminated effectively. When making improvements in areas where we have undertaken studies, the Department regularly invites us to be members of these working groups or to participate in workshops and seminars.

Similarly, the NAO has realised that our aim to “*Make a Difference*” and our mission to promote the highest standards in the conduct and provision of public services, cannot be achieved simply by publishing a report. Rather, we need to use as many different ways as possible to communicate the key findings and recommendations of our reports and those of the Committee of Public Accounts. As well as being invited to speak at conferences on a regular basis, during the last two years we have run a number of NAO conferences to disseminate our findings, spread good practice, and get discussions going between the key individuals and experts in the field. For example:

- In February 2000, we held a conference to follow up our report on the better management of hospital equipment which was attended by over 200 experts in this area.

- In October 2000, we held a conference aimed at stimulating yet better patient outcomes for hip replacement operations. This followed the publication of our report ‘Hip replacements-getting it right first time’. Some 300 Orthopaedic consultants and others from across the country gathered to discuss topics such as the need for a national hip register, the inequity of access to hip operations and the variation in patient outcomes.

- In June 2000, our conference “Managing and controlling hospital acquired infection – The Way Ahead” was attended by almost 500 delegates. In addition to excellent speakers from the Department, and Public Health Laboratory Service, the then Minister of State for Health, John Denham MP, used the opportunity presented by the conference to launch a new Antibiotic Prescribing Policy and Action Plan.

Feedback from delegates and speakers alike suggest that our conferences are an excellent way of taking forward the rec-

ommendations in our reports. As a result more are planned for the future. Indeed Sir John Bourn, commenting after the Hips Conference, said:

“Conferences should be seen as the next stage of an effective audit process...; conferences give a shot in the arm to the effectiveness of our work”.

Other alternative outputs from our work range from feedback reports to individual NHS hospitals to enable them to benchmark their activities, to writing seminal work on best practice. Following the public and media interest in our report on hospital acquired infection and feedback from the conference, I have co-authored a book, ‘The challenge of hospital acquired infection: maintaining the initiative’. The aim of this book is to help clinical staff and others reduce the prevalence of hospital acquired infection by providing a comprehensive and timely analysis of what is known about hospital acquired infection. It draws on points made in the National Audit Office report, Committee of Public Accounts hearing and report, the Conference and, where relevant, includes references to recent Department of Health initiatives aimed at improving management and control of hospital acquired infection.

The National Audit Office is a learning organisation

A key factor in securing improved value for money is to evaluate our own performance and ensure an understanding of what worked well and why and what didn’t. All of our reports are subject to a “Quality Review” which involves a quality assessment by the London School of Economics, written feedback from the audited bodies and evaluation by the study team. On Health VFM we share the results of these reviews between the various study teams to ensure that we can all learn from each other. We also hold regular meetings and seminars to share ideas and outcomes. As a result we have seen an increase in the overall quality of our work, evidenced by improved independent quality assessment scores.

Similarly, we believe that we should share our experiences with other Audit Offices and, where relevant, seek to learn from them. The NAO has a steady stream of visitors from other State Audit Offices and

While our studies still look at poor performance the emphasis is now on drawing out lessons and good practice to avoid problems from re-occurring and improve working practices. For example in our report on the management and control of hospital acquired.



Health VFM regularly features on their agenda. Many members of staff on the Area have helped provide international colleagues with advice and guidance on the NAO approach to VFM audit. This advice and guidance is provided in a number of different ways, ranging from hour long discussions and half day workshops, to four week secondments or work shadowing exercises. The international audit offices who have visited us to learn about our approach to VFM audit include Brazil, Portugal, Slovenia, Russia, Iceland and New Zealand, to name but a few. We have also visited China, Brazil, Portugal and Hungary to exchange ideas and run workshops and training courses using our experience on Health VFM. After all, the provision of healthcare is a truly international activity and we all have a vested interest in making a difference to the quality of service provided.

Evolution

The rapid and constant changes to the way health services are being delivered

have provided the NAO with both challenges and opportunities. Our VFM audit cannot afford to stand still nor can it have a retrospective focus, rather it needs to be forward looking and responsive to change. I have used examples of our recent VFM programme to illustrate how we, on Health VFM, have responded to these challenges and opportunities presented by these changes. Given the ambitious agenda in the NHS Plan, the NHS will continue to change and develop and will present us with even more challenges in the future. Some of these changes and developments, notably, the abolition of health authorities as we know them, the creation of 30 odd strategic health authorities, the evolution of primary care in the form of Primary Care Trusts and the dissolution of Regional Offices are already reflected in our future study programme. As an independent watchdog for Parliament, we are uniquely placed to help the NHS make these transitions as successful as possible in terms of improving the service provided to the public and paid for by taxpayers.

Our studies have moved steadily over the last five years from focusing on inefficiencies in procedures in organisations to examining the impact they have on the patient.



Box A: National Audit Office Studies published in the last two years

Title of Study	Scope and methodology*	Other Outputs and Impacts
Royal Brompton Hospital-Sale of North Block Site (HC 252 1998/99)	Whether the hospital achieved best value for money from the sale of the site – how the property was marketed and bids evaluated and how contract protected vendors interests.	<ul style="list-style-type: none"> National Audit Office report provided lessons on disposal of property that is being followed up in wider study of NHS Disposals.
The 1992 and 1998 Information Management and Technology Strategies of the NHS Executive (HC 371 1998/99)	A review of the progress of the 1992 and 1998 information management and technology strategies. – the impact of the 1992 strategy and whether the 1998 Strategy incorporated lessons learned. Based on file examination and interviews.	<ul style="list-style-type: none"> Improved project management arrangements adopted and being implemented in taking forward the 1998 strategy.
The PFI Contract for the New Dartford and Gravesham Hospital (HC 423 1998/99)	Whether the contract would deliver the required services, the cost effectiveness of the deal, the management of the procurement process and steps taken by the Department to learn lessons from this project. Based on file examination and interviews.	<ul style="list-style-type: none"> Lessons from the Report fed into Departmental guidance on PFI Hospital building projects.
The Management of Medical Equipment in NHS Acute Trusts in England (HC 475 1998/99)	An examination of how well NHS Acute Trusts managed their medical equipment portfolios. Based on survey, file examination, visits to a sample of hospitals and input from expert panel.	<ul style="list-style-type: none"> Identified scope for financial savings. Recommendations adopted as part of the new Controls Assurance Standard.

During the last two years we have run a number of NAO conferences to disseminate our findings, spread good practice, and get discussions going between the key individuals and experts in the field.

Box A: National Audit Office Studies published in the last two years (continue)

Title of Study	Scope and methodology*	Other Outputs and Impacts
<p>The Management and Control of Hospital Acquired Infection in Acute NHS Trusts in England (HC 230 1999/00)</p>	<p>An examination of the overall management and control of hospital acquired infection in Acute NHS Trusts covering what was known about the extent and costs and the effectiveness of strategic management, surveillance and prevention activities. Based on comprehensive census of all 219 Acute Trusts targeted at Chief Executives and Infection Control Teams, analysis of surveillance and costs data and visits to sample of hospitals to identify good practice and input from expert advisory panel.</p>	<ul style="list-style-type: none"> • Identified scope to reduce hospital acquired infection by 15 per cent • Conference held. • Provided feedback reports to each NHS Trust to facilitate benchmarking. • Invited to give numerous presentations at sector and specialist conferences. • Publishing book to spread messages from conference and report. • Department has issued new overall guidance, provided resources and instigated Trust level action on cleaning, antibiotic prescribing and mandatory surveillance.
<p>Inpatient Admissions and Bed Management in NHS Acute Hospitals (HC 254 1999/00)</p>	<p>An examination of how, in recent years, NHS Acute hospitals have been developing new ways of managing inpatient admissions and patient discharge to meet the growing demands placed on their resources. Based on survey of all health authorities and all NHS Acute Trusts with at last 300 general and acute beds. Visits to good practice hospitals and consultation with a wide range of practitioners and experts in the field.</p>	<ul style="list-style-type: none"> • Development of good practice to reduce cancelled operations. • New guidance on maximum bed occupancy rates in hospital. • A departmental commitment to end widespread delays in patient discharge. • Presentations at sector conferences.
<p>Hip Replacements: Getting It Right First Time (HC 417 1999/00)</p>	<p>An examination of the procedures used for introducing and monitoring hip prostheses, and the management of total hip replacements in Trusts. Based on a survey of a sample of orthopaedic surgeons, and orthopaedic directorate managers; visits to selected sites and input from advisory group.</p>	<ul style="list-style-type: none"> • Conference held. • NICE considered our research in producing their own guidance on the use of hip prostheses. • Financial saving of £3.5m.
<p>The National Blood Service (HC 6 2000/201)</p>	<p>A review of the efficiency and effectiveness of the Blood service. Based on survey and visits.</p>	<ul style="list-style-type: none"> • Conference planned. • NHS to consider NAO recommendations in implementation of new management structures and systems.
<p>Tackling Obesity in England (HC220 2000/01)</p>	<p>An examination into the human and financial costs of obesity, the management of obesity in the NHS and the joined up Government initiatives aimed at improving lifestyles. Based on survey of sample of a GPs, review of Departmental initiatives and input from a Cross sector expert panel.</p>	<ul style="list-style-type: none"> • Conference planned. • The report provided the first comprehensive estimate of annual costs of obesity to NHS and economy. • Ongoing media coverage is keeping the issues on the Government agenda. • Regular presentations at sector and specialist conferences.



Box A: National Audit Office Studies published in the last two years (continue)

Title of Study	Scope and methodology*	Other Outputs and Impacts
Educating and Training the Future Health Professional Workforce for England (HC 277 2000/01)	An examination into the effectiveness of the education and training provided by universities and the NHS to develop new health care professional staff. Based on: surveys of all 73 universities providing NHS funded courses and all 39 NHS Education and Training Consortia. Joint audit visits and sharing of data with Audit Commission and joint advisory group with members from both sectors.	<ul style="list-style-type: none"> • A new NHS /higher education working group has been convened to address issues such as contracting, attrition and data. • Revised workforce planning arrangements reflect some of recommendations from our response to consultation exercise. • Conference planned. • Individual feedback reports are to be sent to every University to facilitate benchmarking.
Handling Clinical Negligence Claims in England (HC 403 2000/2001)	An examination into the process of managing current and outstanding clinical negligence claims against the NHS, and the adequacy of patient's access to remedies. Based on surveys of Trusts and health authorities and detailed analyses of Litigation authority databases. Visits to selected hospitals and input from expert panel.	<ul style="list-style-type: none"> • Conference planned. • The government is examining ways of dealing better with patients making claims. They expect to publish a White Paper in spring 2002. • Membership on Departmental Working Group to take forward developments.
Inpatient and Outpatient Waiting in the NHS (HC 221 Session 2001-2002)	An examination into the Department's progress in achieving waiting list and waiting times targets, identifying good practice examples, which have been used to cut waiting lists, and waiting times. Based on examination of NHS waiting list data and validation visits to 50 NHS Trusts, survey of chief executives at Trusts with waiting lists, survey of 558 consultants in (Urology, Orthopaedics and Ear Nose and Throat specialists). Workshops for Trust managers and advice from expert panel.	<ul style="list-style-type: none"> • Published on 26 July 2001 to a great deal of media interest.

Our VFM audit cannot afford to stand still nor can it have a retrospective focus, rather it needs to be forward looking and responsive to change.



All reports referred to are available on our website at www.nao.gov.uk. Each report also contains a methodology Ap-

pendix in which we explain more fully our approach and the audit techniques used.



EUROSAI MAGAZINE SURVEY

INTRODUCTION

The management of EUROSAI magazine is making a survey among the readers of the Magazine to obtain information on their opinions and experiences regarding the contents and distribution of EUROSAI magazine (the Magazine).

We would like to thank you in advance for your co-operation completing this questionnaire as the information that here appears will be essential for our research.

Instructions

The completed questionnaire should be sent by **15 May 2002** to:

EUROSAI Secretariat
Fuencarral, 81 - 28004 MADRID - SPAIN
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Should you have any queries regarding this questionnaire, please contact:

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Questions:

1. Country

.....

2. Official EUROSAI languages used in your SAI

- Spanish
- French
- English
- German
- Russian

3. How would you describe globally the Magazine?

- Very good
- Good
- Average
- Bad
- Very bad



4. What sections of the Magazine do you consider more relevant for your Supreme Audit Institution (Please tick the suitable ones).

- EUROSAI News
- News from the members of EUROSAI
- European Union
- Reports and Studies
- Reports dedicated to the knowledge of the characteristics of the European Supreme Audit Institutions

5. Describe briefly what you like most of the Magazine

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.....

.....

6. Describe briefly what you like least of the Magazine

.....

.....

.....

7. At present, can your SAI receive electronic mail?

- YES
- NO

8. In case we produced an electronic version of the Magazine, please, indicate the e-mail(s) address(es) where you would like to receive it

.....

9. In which languages would you like to receive the Magazine by e-mail?

- Spanish
- French
- English
- German
- Russian

10. If the Magazine were published, printed on paper, only in the English version, how many copies would your SAI like to receive of this version, taking into account that you would have access to the electronic version of the Magazine, in the five official languages of the Organisation, through the EUROSAI Web page and through e-mail?

.....

11. Could you please provide the comments that you consider appropriate regarding your replies, or any other idea or ideas about the way the Magazine could be improved?

.....

.....

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