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European Organisation of Supreme Audit Institutions



V EUROSAI Congress

**Paper from the Accounting Chamber of Ukraine
on the preparation of draft State budgets**

Good governance and the role of the SAIs, Court of Audit of Portugal

Decentralisation of State tasks;

Prior conditions - Limits - Advantages, Austrian Court of Audit

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Editorial

I would like to begin this editorial by once again stating on behalf of all members of EUROSAI our congratulations to the President of the SAI of the Russian Federation, Mr. Stepashin, for his new appointment as President of EUROSAI, following the holding of the V Congress in Moscow on 27 to 31 May 2002, and to wish him a fruitful and successful management of our Regional Group. It is likewise necessary to once again congratulate and thank the Presidency of the SAI of France for its efficient and shining devotion to EUROSAI in the exercise of its Presidency over these last three years.

The control institutions of the EUROSAI Group are located within a just, stable and peaceful order founded on equilibrium and equality of rights, within a complex structure of shared values (democracy, freedoms and human rights) elevated to norms and based on the strategy of cooperation; unlike in the past when the dynamic of changes was based on the principle of power and the strategy of competition. In a world that is becoming integrated and globalised, what one can create by cooperating is more important than what one can conquer by competing.

The control institutions are currently faced with new challenges fundamentally consisting of understanding and taking on the values of integration and creation, strengthening the positive effects and neutralising their negative effects. In this new framework, action by SAIs must be directed towards highlighting normative faults and management practices containing moral risks. This action is essential for exposing and identifying those faults and helping to internalise ethics in the normative framework of organisations and managements which, as well as being efficient, are also ethically responsible. Indeed, the ethical principle that must govern the political life of a State ruled by law and be a basic value in any organisation demands something more than controlling the application of norms, it demands anticipating the future by exposing and eliminating moral risks in the field of public resources management.

During the course of the technical sessions of the V Congress, our Regional Group has had the opportunity to analyse the participation of SAIs in the budgetary process and indirectly to reflect their greater or lesser contribution to what we have known as the process of creation of Right.

Furthermore, I must highlight the fact that this Congress has approved the creation of a new EUROSAI Working Group on information technologies, as well as confirm the good action of the Environment Working Group and the Training Committee. In terms of the activities of these last two, cooperation among the member SAIs of both again take on a significant protagonism. Joint actions on auditing or on technical studies are being carried out requiring creative reactions and a permanent and complex learning, these being variables and principles inherent to the new political and social-economic reality reigning over these times.

For this reason, I once more congratulate and encourage all the participants in these ambitious projects on international cooperation, so that, with persistence, they can carry on achieving their objectives and obtain the desired results to the benefit of our Regional Organisation.

Finally, I would to end by most sincerely thanking the authors for the collaboration they have rendered to the EUROSAI Secretariat in permitting the appearance a new edition of the EUROSAI Magazine thanks to the generosity of their contributions.

Ubaldo Nieto de Alba

President of the Spanish Court of Audit
Secretary General of EUROSAI



*Eurosai News***SPEECH FROM THE PRESIDENT OF EUROSAI
FOR THE OPENING OF THE XXIV MEETING
OF THE GOVERNING BOARD****Copenhagen – 7th March 2002**

Dear Presidents, colleagues, representatives of Presidents, ladies and gentlemen,

It is a great pleasure for me to preside over this twenty-fourth meeting of the Governing Board of our Organisation; an event which provides me with the opportunity not just to meet up again with numerous colleagues with whom friendly relations have been created, some of them from some time back, but also to receive new colleagues, whom I welcome today. This is the second time that I have had the honour and pleasure of presiding over our Board, and it is also the penultimate occasion since, as you know, the mandate of the French Court of Audit will be drawing to a close with the Moscow Congress, in less than three months' time.

It is undoubtedly a little early for making a balance of the years that have just passed, and I am not sure that I am the person best suited for doing so: self-assessment has its virtues, but we will surely agree that there is nothing that can replace external observation free of prejudices or complacency. I will only say that our Agenda has been expanded again, going from 15 to 20 items, and that I have the satisfaction of thinking that such progress reflects the specific topics of cooperation on which we are working, and it is therefore a sample of the dynamism of EUROSAI, or, putting this another way, of its members whom you represent.

In this respect, I would like to emphasise the especially positive and constructive action of the Office of the Auditor General of Denmark and of its President, Mr. Otbo, who has contributed directly and efficiently to the development of our Organisation. I am deeply grateful to Mr. Otbo and his collaborators for the wel-

come they have provided us with in the beautiful city of Copenhagen.

I also welcome Mr. Kovacs, President of the SAI of Hungary, whose dynamism and attitude of opening up his organisation to the outside we were already familiar with, and who has accepted the enormous task of hosting the forthcoming INTOSAI Congress, in 2004. To him I express all our gratitude for this offer, which is important for the SAI of Hungary, but also for all the SAIs of Europe, on the threshold of the Fiftieth Anniversary of the creation of INTOSAI. That occasion provides us with the honour and pleasure of including it among our number in the future, along with the other European members of the Governing Board of INTOSAI; namely Norway, Portugal and the United Kingdom, who were already participating in our works as members or observers.

Finally, it is a great pleasure for me to greet the three Institutions invited to this meeting, the German Bundesrechnungshof, which will be presenting us with its proposal for hosting the EUROSAI Congress in 2005; Mr. Sekula, President of the Supreme Control Chamber of Poland, who will be speaking on various items of the Agenda; and Ms. Stuiveling, of the Rekenkamer of the Netherlands, who will be explaining to her project for setting up a working group.

As I have just stated, the Agenda for our meeting is particularly intense, a fact that is going to require considerable succinctness so that we can conclude our works within the set time. For this reason, I shall confine myself in these introductory words to making a few very brief reflections directly inspired by our Agenda.

In my opinion, the various topics which we have to examine illustrate two



main features of the evolution of our Organisation: development and opening.

The development of EUROSAI:

First of all, this is revealed at the quantitative level via the unbroken growth in the number of its members. If you accept the new candidacies that are presented, our Organisation will henceforth number 45 members, with the European representativeness of EUROSAI becoming even more consolidated and strengthening the role played by our Regional Group at the international level.

It is also reflected qualitatively via the notable expansion of our activities in numerous fields, such as environment, coordinated with a great deal of dynamism and efficacy by the SAI of Poland; training actions, with annual continuity and start-up of the Long-Term Regional Training Programme, thanks to IDI; and the impulse given to electronic tools for information exchange by means of web pages created with the help of the SAI of Denmark. New fields of action will undoubtedly be opening soon, such as that shown by the proposal from Madam President of the Rekenkamer of the Netherlands on computer audit. This development must be complemented with the appropriate increase and redistribution of the financial resources earmarked for that end. And this is the challenge of the proposed budgets which you are going to be presented with in a few minutes.

The opening of our Organisation constitutes a second important feature of the recent period, of which our Agenda also provides clear proof:

Opening to the outside, at the international level, via an increase in relations with the other Regional Groups, as shown by the holding next July of the Second EUROSAI-OLACEFS Conference; but also via intense participation of numerous members of EUROSAI in the activities of groups, committees and initiatives promot-

ed from INTOSAI, without forgetting the organisation of its forthcoming Congress.

The important position occupied by European SAIs on the Governing Board of INTOSAI is a direct expression of that opening and of the responsibilities shouldered by numerous members of EUROSAI at the international level.

Within Europe, EUROSAI continues to intensify its relations, creating ever closer ties with other organisations, institutions or working groups in operation. The EUROSAI-EURORAI Conference held in Madeira, organised by the SAI of Portugal, was a great success, and that collaboration is going to continue and intensify thanks to the commitment of our host SAI, the Rigsrevisionen of Denmark. Exchanges and relations between EUROSAI and the Contact Committee of SAIs of the European Union, as well as with the Contact Committee of Presidents of SAIs of the Countries of Central and Eastern Europe, Malta, Cyprus, Turkey and the European Court of Audit, have not ceased to expand. And material prospects of collaboration can be discerned with the European Commission or institutions such as SIGMA and the OECD.

To summarise, although we still of course have a long road to walk down, I have the impression that the foundations have now been laid for a very positive dynamic, the result of the efforts of you all, with growing synergies among the various cooperation initiatives taken in different forums. These efforts have, in my opinion, permitted the primary ambition of our Organisation to be satisfied in a concrete and effective manner, which is to make the professional ties among SAIs increasingly close. It remains for us to consolidate this development and this opening, within the respect for the diversity of the family of Europe.

Thank you very much.

François LOGEROT



MINUTES OF THE XXIV MEETING OF THE GOVERNING BOARD OF EUROSAI Copenhagen (Denmark) – 7th March 2002

The Governing Board of EUROSAI held its XXIV meeting in Copenhagen (Denmark) on 7th March 2002, with the attendance of the members, observers and guests listed in appendix I.

Mr. Otbo, President of the SAI of Denmark, and Mr. Logerot, President of the SAI of France and President of EUROSAI, spoke the introductory words.

1. Approval of the agenda for the XXIV meeting

The agenda for the XXIV meeting was approved once the following expansions and rectifications had been taken in

- in item 5: request for entry into EUROSAI of the SAI of Bosnia-Herzegovina, received in the Secretariat General after the draft agenda had been distributed;

- in items 9.2.1. and 12: rectification of the dates of the events stated in those items.

2. Approval of the minutes of the XXIII meeting

Final approval was given to the minutes of the XXIII meeting (29th March 2001, Ljubljana), which will be sent to all members of the Organisation.

Once they have been ratified by participants, the draft minutes of the XXIV meeting will be sent to all members of the Organisation, in conformity with the procedure approved in the Ljubljana meeting (item 2.2. of the minutes).

3. Secretary General's Report

Mr. Nieto de Alba presented the Secretary General's Report containing the main activities of the Organisation undertaken in the last year and he reported on those planned for 2002. There were no com-

ments on this report from members nor from observers of the Governing Board.

4. Presentation of the Financial Reports and Reports from the Auditors for the financial years 2000 and 2001

In conformity with article 14 of the Statutes, Mr. Nieto de Alba, Secretary General of EUROSAI, presented the financial reports relating to the years 2000 and 2001, to which were attached the reports from the auditors. There were no comments on these reports from members nor from observers of the Governing Board.

5. New members: confirmation of the transfer of the status of member and examination of the applications for entry registered by the Secretary General

Mr. Nieto de Alba, Secretary General of EUROSAI, first of all recalled the transfers that had taken place in 2001 regarding the status of member of the Organisation, one referring to the SAI of Bulgaria, now represented by the National Audit Office, and the other referring to the SAI of the Principality of Monaco, now represented by the Supreme Audit Commission, which have already been the subject of a written consultation of members and observers of the Governing Board. He then went on to present the applications for entry submitted by the SAIs of Belarus, Bosnia-Herzegovina and the Principality of Andorra.

The Governing Board confirmed the transfers of the status of member of Organisation on the SAIs of Bulgaria and the Principality of Monaco.

After confirming that the applications for entry that have been submitted comply with the conditions set down in article 3 of the Statutes, the Governing Board approved the entry of the SAIs of Belarus,



Bosnia-Herzegovina and the Principality of Andorra, as members of EUROSAI. The Secretary General was entrusted with notifying this decision to interested SAIs.

6. Information on the results of the Pre-Congress Seminar held in Warsaw

Mr. Sekula, President of the SAI of Poland, recalled the commencement and development of the Pre-Congress Seminar held in Warsaw on the 25th to the 27th September 2001 on the topic "the use of information technologies in controlling the execution of the State budget", the conclusions of which will be presented and developed in the forthcoming Congress in Moscow. There were no observations on this information from members nor from observers of the Governing Board.

7. Information relating to the Moscow Congress and proposals on the observers

Mr. Stepashin, President of the SAI of the Russian Federation, presented a report, an English version of which was distributed to attendants at the start of the meeting, on the detailed state of preparations and the draft programme for the V Congress of the Organisation, to be held in Moscow on 27th to 31st May 2002. This report also provides data on the observers which the SAI of the Russian Federation proposes inviting to the Congress, along with some observations on advances made in the application of the resolution presented by the Delegation of the SAI of the Russian Federation during the last INTOSAI Congress held in Seoul, in the field of the fight against the laundering of capital, corruption and the misappropriation of public funds as possible means of financing international terrorism. In particular, it was proposed that the Secretariat of INTOSAI could provide preliminary information on its work in this field in the Moscow Congress.

Mr. Logerot, President of EUROSAI, thanked Mr. Stepashin for the very full explanation that he had given, which demonstrates how far the preparations for the

Congress have progressed, both at the practical level and in terms of the organisation of the works in the strict sense. Following the success of the Pre-Congress Seminar, and thanks to the efforts of the SAI of the Russian Federation and other SAIs committed to this preparation, the outlook for this event could not be better. The President of EUROSAI expressed his gratitude to the SAI of the Russian Federation for all the measures that had already been adopted and announced so that the forthcoming Congress can be a complete success.

In response to an observation made by Mr. Fiedler, President of the SAI of Austria, on differences that are perceived between the version of the Report sent to participants via the Secretary General and the version in English handed out at the start of the meeting, Mr. Stepashin confirmed that the English version handed out at the start of the meeting is the one that corresponds to his discussion. It was therefore set down on record that this latter version is the one that has to be conserved.

With respect to the background, Mr. Logerot, President of EUROSAI, recalled that above all each participating delegation on the Governing Board of EUROSAI is free to express their point of view of any matter, as the Russian Federation does. This freedom of opinion is independent of the decisions or guidelines which the Governing Board has to adopt on the topics falling to it to deal with. As far as the progress made in the works of the INTOSAI Congress in Seoul, the President of EUROSAI stated that, for the time being, the Governing Board of EUROSAI must pronounce solely on the designation of a EUROSAI member for joining the INTOSAI Task Force on Strategic Planning. This matter appears in item 17 of the agenda.

In terms of the initiative presented by the delegation of the SAI of the Russian Federation in the last INTOSAI Congress held in Seoul, in the field of the fight against the laundering of capital, corruption and the misappropriation of public funds as possible means of financing international terrorism, it is advisable to follow the order of things as was determined in that Seoul Congress. Until the Governing Board of INTOSAI, which has to meet in October 2002, adopts directives on that



work, the Governing Board of EUROSAI will not have to pronounce on it. This approach received the assent of the participants of the Governing Board.

As far as the draft programme for the Moscow Congress is concerned, Mr. Logerot, President of EUROSAI, warned that, in its present version, it makes no explicit mention of the fact that the transfer of powers between the old and the new president of EUROSAI will take place during the opening ceremony, as stated in the speech that is made, and he therefore asked that the draft programme should be formally completed on this point. Mr. Stepashin, President of the SAI of the Russian Federation, expressed his complete agreement with this request.

As far as the invitation to observers is concerned, the President of EUROSAI recalled that this matter has to be examined in accordance with the contents of article 6 of the Statutes. So, the President and the Secretary General of INTOSAI are observers in the Congress by right. In relation to the other observers, it falls to the Governing Board to pronounce on this, on the basis of specific criteria that can justify the alternatives that are chosen, in order to avoid setting precedents that could create difficulties in the future. In this regard, the proposals of the SAI of the Russian Federation aroused the following questions on the part of the President of EUROSAI:

- although the invitation to the Presidency of OLACEFS can be justified by the specific relations of cooperation established with that Organisation, it seems to be more difficult to justify inviting ASOSAI without at the same time inviting the other regional groups of INTOSAI, since there is no special reason for making distinctions among those regional groups of INTOSAI;

- with regard to other SAIs that are not members of EUROSAI, it seems legitimate to invite the SAI responsible for the INTOSAI magazine, as was done in the Paris Congress, so that it can report on the works of the Moscow Congress. On the other hand, it seems much more difficult to establish particular criteria that could justify inviting the SAIs of Canada and Japan as observers;

- finally, the collaboration established between EUROSAI and certain organisa-

tions could serve as a justification for inviting them as observers. So, IDI could receive an invitation as such a body aside from the invitation sent to the SAI of Norway. The attendance of SIGMA-OECD seems desirable on account of the important role played by this organisation in the works of the Contact Committee of the SAIs of the countries of Central and Eastern Europe. Equally, the cooperation initiated with EURORAI on the occasion of the Madeira Conference, which is going to continue in 2003 in Copenhagen, could justify inviting the EURORAI representatives by way of observers.

Mr. Stepashin, President of the SAI of the Russian Federation, stated that he shared this reasoning. He also thought it preferable to invite all the regional groups to the Congress; he recalled that IDI is invited and stated his conformity to EURORAI and SIGMA-OECD being invited. As far as the SAIs of the United States, Canada and Japan were concerned, he explained that these three SAIs, with which the SAI of the Russian Federation has very active relations, have been in touch with the SAI of the Russian Federation with a view to the Moscow Congress, stating their desire to assist in their works.

Mr. Fiedler, President of the SAI of Austria and Secretary General of INTOSAI, also declared his conformity with IDI, SIGMA-OECD and EURORAI being invited, stating that he shared the concern of the President of EUROSAI that specific criteria should be established justifying the invitation of observers, in order to avoid setting precedents that could occasion an undue inflation of invitations in the future.

Mr. Otbo, President of the SAI of Denmark, considered that this debate was of great importance, but that the host SAI ought nevertheless have the possibility of inviting one or two SAIs that are not members of the Organisation, at its own election.

Sir John Bourn, President of the SAI of the United Kingdom, recalled that a debate such as this had already taken place before the holding of the Paris Congress, and at that time it was decided not to invite all the SAIs that stated their desire. Therefore, even bearing in mind the point of view expressed by Mr. Otbo, it becomes necessary to limit the number of observers in order to prevent the risks mentioned by Mr. Fiedler.



Mr. Stepashin, President of the SAI of the Russian Federation, thanked Mr. Otbo for his intervention and clarified that invitations outside the Organisation would in this case be limited to the three SAIs which have made official contact with the SAI of the Russian Federation. Those SAIs could be invited in a personal capacity by the SAI of the Russian Federation.

Mr. Logerot, President of EUROSAI, suggested retaining the following proposal from this debate: the Governing Board could agree to invite to the forthcoming Congress, as observer, the SAIs representing the different regional groups of INTOSAI, the SAI of the United States of America as the SAI responsible for the INTOSAI magazine, and the three organisations, IDI, SIGMA-OECD and EURO-RAI. The SAIs of Canada and Japan would not be invited as observers but instead as personal guests of the host SAI of the Congress.

Mr. Stepashin, President of the SAI of the Russian Federation, thanked the President of EUROSAI for his proposal, with which he declared he was in complete agreement.

The Governing Board approved the proposal of the President of EUROSAI.

8. Budgetary questions : Examination and decision on the proposals presented by the Training Committee

Mr. Nieto de Alba, Secretary General of EUROSAI, recalled the works undertaken by the Training Committee within the framework of the mandate entrusted to it in the latest meeting of the Governing Board. He presented the documents along with the draft resolution drawn up at the conclusion of those works, and which have already been notified to all members and observers of the Governing Board by means of a joint letter from the President and from the Secretary General of the Organisation, dated 6th February 2002. This draft resolution provides for:

- limiting the publication of the magazine on paper solely to the English version, with a slight reduction in the quality of the edition, and the publishing of the maga-

zine in all official languages of EUROSAI in the Organisation's web site;

- proposing to Congress an increase of approximately fifty percent compared to the previous budget;

- agreeing to the rules and criteria stated in the basis documents with regard to the principles for the granting of subsidies.

Mr. Logerot, President of EUROSAI, thanked Mr. Nieto de Alba for his report and, in a complementary manner, stated that the forthcoming budget for the Organisation will be presented in euros rather than pesetas.

Sir John Bourn, President of the SAI of the United Kingdom, stated his support for the proposals that had been made and thanked the Secretary General for the work performed.

The President of EUROSAI recalled that it falls to Congress to adopt the final decisions both on the budget and on the repercussions that it has on members' subscriptions. He stated that it would be advisable not to apply the proposed increase uniformly, and to take account of the situation of SAIs with less possibilities, asking that these guidelines should be considered when it comes to taking decisions in Congress.

The Governing Board approved the draft resolution presented by the Secretary General, taking in account the observations made by the President of EUROSAI. The approved resolution appears in appendix II.

9. Actions carried out by the Training Committee

In order to introduce this item of the agenda, Mr. Perron (SAI of France), who with Ms. Fernández-Pirla (SAI of Spain) co-presides the EUROSAI Training Committee (ETC), created by virtue of the resolution approved in Madrid on 16th February 2000, recalled the objectives set by the Governing Board for this Training Committee, which held two meetings in 2001, one in Paris on 21st June and the other in Prague on 7th December. The conclusions of these meetings, notified to members and observers of the Governing Board, give an account of its works. In its last meeting, the Training Committee proposed that



consideration be given to organising the different initiatives pending within the framework of a global strategy of training for EUROSAI.

9.1. *Current composition of the Training Committee and request from the SAI of Lithuania*

Mr. Logerot, President of EUROSAI, reported that the services of the Presidency had received a letter from the President of the SAI of Lithuania, dated 23rd July 2001, requesting that the SAI of Lithuania might participate in the EUROSAI Training Committee. Given that this Committee was set up by the Governing Board, a reply was sent to the SAI of Lithuania informing it that its request would be examined in the following meeting of the Governing Board of EUROSAI.

The President of EUROSAI recalled that the Training Committee is a preparatory organ of the Governing Board in the training field, and that its composition was determined in a decision adopted in its Madrid meeting of 16th February 2000. According to the minutes of that meeting, the EUROSAI Training Committee *“is composed of eight members: the SAIs of Germany, Denmark, Spain, France, Poland, Portugal, the Czech Republic and the United Kingdom. The SAIs of France and Spain shall co-preside this Committee which, under the authority of the Governing Board, shall be responsible for all questions of training”*. So that it can comply with its preparatory role efficiently, the Training Committee has been conceived as a small structure, with a limited number of participants. Nevertheless, it has to be borne in mind that, in accordance with its statutory objectives, EUROSAI is an open organisation, which must regard any participation initiative as being positive.

Considering these various aspects, the President of EUROSAI suggested that, though retaining the current composition of the Committee as being invariable, the Governing Board might propose to the SAI of Lithuania that it be invited to meetings of the Training Committee in the capacity of an observer.

The Governing Board approved this proposal, which will be passed on to the SAI of Lithuania.

9.2. *Training sessions*

9.2.1. Training session to take place in Budapest on the days 18th to 20th September 2002, on the topic “value for money audit”

Mr. Kovacs, President of the SAI of Hungary, presented the draft programme and the preparations that have commenced, with the collaboration of the British NAO, for the organisation of the second training session of EUROSAI to be held in Budapest on 18th to 20th September 2002, on the topic “value for money audit”. In particular, the seminar will permit the latest methodologies in this field to be presented and experiences to be exchanged on the basis of the study of three hypotheses. Mr. Kovacs affirmed that a seminar on management audit, to last two weeks, was being held in Hungary during those days together with the SAI of the United States, in parallel with the meeting of the Governing Board. The SAI of Hungary will report on this seminar in the EUROSAI training event to take place in September.

9.2.2. Training session to take place in Prague at the end of May 2003 on the topic “the evaluation of internal control”

Mr. Voleník, President of the SAI of the Czech Republic, presented an initial draft programme and reported on the preparations that have commenced, with the collaboration of the SAI of Germany, for the organisation of the third training session of EUROSAI to be held in Prague on 26th to 28th May 2003 on the topic of the evaluation of internal control in the European context, with the expected participation of representatives from European institutions, from SIGMA-OECD, and the presentation of various studies of hypotheses.

Mr. Logerot, President of EUROSAI, highlighted the interest and importance of the challenges of the next two training sessions and opened the debate on the drafts that had been presented.

Mr. Borge, Director General of IDI, stated that he had no comment in particular to make on the topics of the two training sessions planned, though he wished to make a general observation on the training



strategy. The conclusions of the latest meeting of the Training Committee effectively emphasised the need to define a training strategy for the future. He therefore underlined a point that he was later on going to expand on throughout the agenda, which was that at the end of the year 26 training specialists had been trained within the framework of phase I of the Long-Term Regional Training Programme (LTRTP), and that the question will then be raised of how to use those specialists at the regional level. In order to answer this question, it seems essential that EUROSAI should have a long-term training strategy as is the case in other regions of the world. IDI supports the idea, presented by the Training Committee, of establishing a long-term training strategy, which would combine cooperation between EUROSAI and IDI, something which is going to be discussed in item 9-4 of the agenda.

Mr. Elles, representative of the SAI of Germany, confirmed as a member of the Training Committee that in its last meeting the committee recommended the establishment of a long-term training strategy for EUROSAI. And he highlighted that this reflection must be accompanied by a study on the possibilities of financing that strategy, in such a way that genuinely accessible objectives can be set.

Mr. Perron (SAI of France), co-president of the Training Committee, proposed that the Presidency of the Training Committee should draw up a draft resolution in this regard in the next few weeks, which by means of a written consultation would be submitted for the approval of members and observers of this Committee, and after that to the Governing Board, before presenting it to the Moscow Congress.

The Governing Board approved this proposal.

9.3. Web sites on training

9.3.1. Initial balance of the web site on training

Mr. Perron (SAI of France) stated that the French Court of Audit, which hosted the web site on training (<http://formationeurosai.ccomptes.fr>) has proposed slight modifications to the first version in order to make the site more attractive and

simpler to use. These proposals were debated and rounded off together with members of the Training Committee, which presents the main reforms of the new design distributed among participants in the form of a CD-Rom.

The Governing Board authorised the coming on-line of the new version of the training web site. EUROSAI members will receive a mail informing them of those reforms and they will be invited to keep the EUROSAI web site regularly supplied with information.

9.3.2. Opening of the debate forum

Mr. Otbo, President of the SAI of Denmark, recalled that the last Governing Board decided, as a continuation of the first EUROSAI training session organised in Golawice (Poland), to open up a debate forum (Newsgroup) to members of the Organisation, hosted by the SAI of Denmark, to be accessed via the Organisation web site (www.eurosai.org). This forum, which was opened last summer, has so far not achieved the success that was expected, in spite of it being reported on by letter and during the last INTOSAI Congress in Seoul. In the last meeting of the Training Committee, various suggestions were made for making the site better known to potential users, in the hope that this information exchange tool really would be used.

The next Governing Board will make a new balance of the introduction of these two initiatives (Web Page on Training and Newsgroup).

9.4. Cooperation between EUROSAI – INTOSAI Development Initiative (IDI)

Mr. Borge, Director General of IDI, presented the results and outlook for the cooperation commenced two years ago between EUROSAI and IDI within the framework of a Long-Term Regional Training Programme (LTRTP) aimed at the SAIs of the countries of Central, Eastern and South-East Europe. This programme of training the trainers, which has to be finalised in 2005, consists of two phases: phase I, which covers the SAIs of



candidate countries of the European Union, and phase II, covering SAIs of other countries of Central, Eastern and South-East Europe.

Phase I, financed entirely by means of a donation from the Norwegian Government, has now commenced. The Courses Design and Development Workshop (CD-DW), which constitutes the second stage of the programme planned for training, was developed in Prague over a period of six days, from 22nd to 30th November 2001. There were 26 auditors participating in it, from 12 SAIs, supported by the instructional and administrative team of IDI, and with the backing of the SAI of the Czech Republic. Thanks to the motivation and effects provided by participants, the linguistic and technical obstacles have been successfully overcome, as demonstrated by the Report on this CDDW, sent to the Governing Board. The next stage of the programme, the Instruction Techniques Workshop (ITW), which will last three weeks, will be held in Cracow from 8th to 26th April next, with the support of the SAI of Poland. Following a preparatory session in Oslo next July, the SAI of Estonia will be hosting the last stage of phase I in Tallinn, in September 2002, which is the Regional Training Workshop (RTW). This will permit future trainers to put into practice the techniques acquired during the entire programme.

Phase II of the programme will be developed in two working languages, Russian and English, and taking in account the experiences of phase I, it will include an Update Workshop in Financial Auditing. Some of the auditors trained during phase I will be participating in the training of the auditors for phase II. This second phase ought to be started up between the autumn of 2002 (Strategic Planning Workshop, SPW), and the autumn of 2005 (Regional Training Workshop, RTW), provided the necessary financing has been obtained (estimated at 1.4 million euros). The European Commission, the Norwegian Government and other European agencies for cooperation and development have been sounded out for participating in the financing of this second phase.

Mr. Logerot, President of EUROSAI, once again expressed the acknowledgement of the Organisation to the Norwegian Government for the extraordinary effort it

has made for financing phase I of the Programme. As far as phase II is concerned, Mr. Logerot declared that he had high hopes that a not insubstantial percentage of the financing could in particular be obtained from the European Commission, which finds in this project certain convergences with some of its cooperation programmes, especially with regard to Balkan countries. The sources of financing for this ambitious programme, of considerable importance for the SAIs of the regions involved, will have to be finalised over the coming months.

Mr. Logerot, President of EUROSAI, thanked the SAI of Norway and the Director General of IDI for the work done, both within the framework of cooperation with EUROSAI and, more generally, to the benefit of all member SAIs of INTOSAI.

The Governing Board approved the continuation of the cooperation programme commenced between EUROSAI and IDI.

10. Activities of the Environmental Audit Working Group

Mr. Sekula, President of the SAI of Poland and Coordinator of the EUROSAI Environmental Audit Working Group, presented the numerous audit and training activities conducted by Group members within the framework of the strategy defined in October 2000 in Warsaw, during the first meeting of the Working Group. The second meeting of the Working Group is planned to be held in Paris on the coming 11th and 12th April, just before the Moscow Congress, during which a presentation will be made of its activities to all members of EUROSAI.

Mr. Logerot, President of EUROSAI, thanked Mr. Sekula for his very interesting discussion which highlighted the dynamism of this Regional Working Group and the very active role played by it in the INTOSAI Working Group.

Sir John Bourn, President of the SAI of the United Kingdom, stated on the basis of the example of air contamination the important role of transparency which SAIs can play in that field, clarifying basic questions for the public which very frequently continue to be the monopoly of a



small circle of specialists whose technical jargon is incomprehensible to the uninitiated.

Mr. Logerot, President of EUROSAI, stated that the role of the SAIs indeed did not consist of standing in for specialists but instead to reveal the works of these specialists and make them legible for everyone. So, in the coming meeting of the Working Group in Paris, in April 2002, some recent works will be presented that will clarify for the public a topic that should not be a matter solely for the specialists, this topic being that of the protection of water resources against various contaminants, especially those of agricultural origin.

11. Relations with the universities

Mr. Perron (SAI of France) recalled that, in order to demonstrate its willingness to develop exchanges with universities, the latest Governing Board, met in Ljubljana, decided to include a section known as "relations with the universities" in its web site "Training" pages, and it recommended trying to associate universities with each conference, seminar or congress organised by EUROSAI. This association, which has already been put into practice in the Paris Congress and in the EUROSAI-EURORAI Conference organised in Madeira in May 2001 by the *Tribunal de Contas* of Portugal, ought to have some continuity within the framework of the forthcoming EUROSAI-EURORAI conference planned to take place in Copenhagen in June 2003. Moreover, a section known as "relations with the universities" has in fact been created in the new version of the EUROSAI training site presented in item 9.3.1. of the agenda. As of this moment, a link has been created with the Internet site of the European Grouping for Research into Public Finances. With the aim of supplying this new section, EUROSAI members are invited to propose to the French Court of Audit, the host for the training web page, other addresses of university sites dealing with the subject of public finances.

Mr. Nieto de Alba, Secretary General of EUROSAI, underlined the importance of collaboration with the universities and informed the Governing Board of the ex-

perience of the Spanish Court of Audit in this subject, which permits theoretical researches and professional practice to be combined in a very positive way.

Mr. Logerot, President of EUROSAI, also underlined the interest, both for SAIs and for universities, in building a bridge between these two worlds: the SAIs can provide their university colleagues with their practical experience and elements of comparative law, while university staff can contribute a great deal to the SAIs via their reflections, since they are distanced from public action.

The Governing Board confirmed its willingness to increase these exchanges and it will be examining the progress made in this direction in coming meetings.

12. Second EUROSAI-OLACEFS Conference

Mr. Nieto de Alba, Secretary General of EUROSAI, presented the programme for the forthcoming EUROSAI-OLACEFS Conference, to take place in Cartagena de Indias (Colombia) on 10th and 11th July. He stated that prior to the end of April EUROSAI must provide the organisers with the list of SAIs that will be participating in this meeting, either in the presidential table along with the presidency of EUROSAI and OLACEFS or as speakers in one of the three work sessions.

Mr. Logerot, President of EUROSAI, therefore asked attendant members to state their intention, if they so wished, of participating in this conference, and he proposed that the Governing Board should entrust the Presidency and the Secretariat General with the task of designating the representatives of EUROSAI in order to guarantee, together with their colleagues from OLACEFS, an adequate preparation of this event.

Sir John Bourn, President of the SAI of the United Kingdom, reported that he will not be able to attend, but that the British NAO will of course be represented in this meeting for carrying out the tasks that are considered appropriate.

Mr. Kovacs, President of the SAI of Hungary, stated that he was willing to participate in this conference and to draw up a document on questions related to the



fight against corruption in a globalised world.

Mr. Sekula, President of the SAI of Poland, also declared his conformity with participating in this event and with preparing a document on the role of the SAIs in the protection of the environment.

Mr. Nieto de Alba, Secretary General of EUROSAI, stated his willingness to participate in the presidential table and in the debates of the third work session.

Mr. de Sousa, President of the SAI of Portugal, stated his willingness to participate in this meeting and to provide the contribution considered appropriate.

Mr. Logerot, President of EUROSAI, thanked the colleagues who had declared their willingness to participate in this conference, and he reported that note of their initiative had been taken. He stated that non-members of the Governing Board could also state their willingness to take part and that it was not obligatory to restrict contributions solely to Governing Board members. The Secretary General and the Presidency will continue to collaborate with OLACEFS and the SAI of Colombia in order to organise this meeting, the success of which has to be ensured.

13. Continuation of the cooperation between EUROSAI and EURORAI

Mr. Otbo, President of the SAI of Denmark, presented the proposal, announced at the end of the first EUROSAI-EURORAI Conference held in Madeira (Portugal), of hosting a second conference in Copenhagen, on 5th to 7th June 2003, which would enable the cooperation initiated between the two organisations to be continued. As was agreed in the conclusions of the first conference, in order to foster the development of this cooperation it was suggested that a specific topic be chosen, which was that of health care. This topic, which covers numerous aspects, for example hospital spending, will permit the different approaches existing in Europe with regard to health systems to be presented. A small group, composed of the host SAI and representatives of EURORAI and EUROSAI, will be in charge of the organisation and

preparation of this second conference. The SAIs of Spain, France, Portugal, the United Kingdom and the Russian Federation have stated their willingness to participate in this working group.

Mr. M. Logerot, President of EUROSAI, highlighted the considerable interest in the proposed topic, due to the major differences existing between the various health care systems in Europe, and also the usefulness of an exchange of experiences in this field among the SAIs and members of EURORAI, bearing in mind the important role played by the regional bodies in auditing this sector. The President of EUROSAI at the same time thanked the SAI of Portugal for making progress towards this topic, and the SAI of Denmark for agreeing to host this new stage in cooperation between the two organisations.

Mr. Perron (SAI of France) said that if the chosen method is similar to the one successfully applied in the Madeira Conference, then the initial core of the working group that has been announced will be joined by other representatives of both Organisations in the capacity of speakers for the different sub-topics to be dealt with in the Conference.

The Governing Board approved the proposal from the SAI of Denmark and, in its meeting of next year, it will monitor the organisation of preparations for this second EUROSAI-EURORAI conference.

14. Report on the INTOSAI Congress held in Seoul on 22nd to 27th October 2001

Mr. Logerot, President of EUROSAI, said that it was not his intention to enter into its duties nor to report in detail on the works undertaken last autumn in Seoul, since this was the competence of the Secretariat General de INTOSAI, but he did wish to merely to recall some topics among all those examined in the last INTOSAI Congress, that are of direct interest to the Organisation and to the activities of EUROSAI.

First, the dual election to the Governing Board of INTOSAI of the SAIs of Portugal and the United Kingdom were congratulated, which will permit EUROSAI to have an elected representation in harmony



with the dimension of the Organisation and which, moreover, corresponds to the diversity of types of auditing of public finances in Europe.

The President of EUROSAI also displayed his satisfaction with the fact that it was a European SAI, the State Audit Office of Hungary, which was going to be hosting the forthcoming INTOSAI Congress, 51 years after the founding Congress of INTOSAI in Vienna, thereby underlining the importance of the position occupied by Europe in the international life of that Organisation. He was grateful to Mr. Kovacs for having accepted this burdensome task, thus demonstrating with this decision the extraordinary dynamism of the Organisation that he heads.

He also stated with satisfaction that the SAI of Norway, as the support institution for the INTOSAI Development Initiative, and on the basis of a modification made to the Statutes approved in Seoul, now has a position as a full member on the Governing Board of INTOSAI for six years. This decision represents the legitimate recognition of the efforts and successes achieved by IDI in the key field of training, as witnessed as far as EUROSAI is concerned by the development of the Long-Term Regional Training Programme, which was dealt with in item 9.4 of the agenda.

These different decisions adopted in Seoul have very direct consequences on the life of our Organisation by permitting representatives of Hungary, Norway, Portugal and the United Kingdom to be maintained or included in each meeting of the Governing Board thanks to their participation on the Governing Board of INTOSAI.

The President of EUROSAI also highlighted that the latest INTOSAI Congress was rich in events which are, of course, going to contribute to the development of EUROSAI's own activities, as shown by the agenda for this present meeting: proposal, on the initiative of the SAI of the Netherlands, for the setting up of a working group on Computer Auditing (item 16); creation of a Task Force on Strategic Planning, in which each regional group will be represented by one of its titular members of a post on the Governing Board of INTOSAI (item 18 of the agenda).

Finally, he pointed out that the Seoul Congress provided an opportunity for ex-

pressing a renewed interest in certain topics, such as the fight against fraud, which had already been included in the works of the Organisation, but also the opportunity of opening up new paths, such as the fight against money laundering, which will certainly provide fuel for debates and works, not just at the international level but also at the level of each of the Regional Groups.

Mr. Fiedler, President of the SAI of Austria and Secretary General INTOSAI, stated that for his part he had no comments to make on the information provided by the President of EUROSAI, but he did wish to express his thanks to all those who contributed to the success of the Seoul Congress.

Mr. Logerot, President of EUROSAI, thanked Mr. Fiedler and through him, the Court of Audit of Austria, which, since its origins, has taken on the burdensome task of the Secretariat General of INTOSAI, to which it assigns important human and financial means.

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

Mr. Nieto de Alba, Secretary General of EUROSAI, informed members of the Governing Board on the letters of candidacy sent to him on 22nd January 2002 and 29th January 2002 respectively, by the Presidents of the SAIs of Italy and Lithuania, with a view to the election of members for the next Governing Board of EUROSAI.

He also stated that the President and the Secretary General of EUROSAI asked the Presidents of the SAIs of Ireland and Belgium, currently in charge of the auditing duties, whether they wished to present their candidacies for that task again in the coming Congress. **the** President of the SAI of Ireland gave notice that it did no wish to request a renovation of its mandate, unlike the President of the SAI of Belgium, which would indeed be willing to present its candidacy again.

Mr. Logerot, President of EUROSAI, took note of the candidacies presented for the election by Congress of the new members of the Governing Board. He shared



the opinion of Mr. Nieto de Alba that these candidacies should respect the concern stated in article 10 of the Statutes to achieve an adequate representation of the geographical differences of Europe and at the same time of the main types of auditing of public finances.

As far as the forthcoming designation of auditors is concerned, the President of EUROS AI declared his satisfaction with the fact that the SAI of Belgium has expressed its wish to request a new mandate, and he thanked the SAI of Ireland for the quality of the works undertaken during its consecutive mandates. He reported that contacts had been initiated for sounding out the SAI of Iceland, which had so far not made any official response.

The Governing Board took note of the candidacies notified to the Secretary General and of the preliminary contacts established with the SAI of Iceland for the designation by Congress of the forthcoming auditors of the Organisation.



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16. Constitution of a working group on computer auditing

Ms. Stuiveling, President of the SAI of the Netherlands, presented the draft resolution, in accordance with the proposal presented during the last INTOSAI Congress in Seoul, concerning the setting up by the EUROS AI Congress of a working group on information technologies, which the SAI of the Netherlands would be willing to preside.

Mr. Logerot, President of EUROS AI, underlined the considerable importance of the subject of information technologies, now unavoidable, in its different aspects: whether this concerned the use of computing techniques, the registration of receipts in computing media, or the audits that have to be conducted on computerised systems themselves. He stated that in this broad and fundamental field, many European countries had a certain degree of experience and progress behind them compared to other continents, which it could be very useful to capitalise on for the benefit of everyone.

Mr. Otbo, President of the SAI of Denmark, thanked Ms. Stuiveling for her initiative. He expressed his complete agreement

with the proposal to create a EUROS AI working group on information technologies which would collaborate with the INTOSAI working group, and he stated that the SAI of Denmark will be willing to join that group.

Ms. Stuiveling, President of the SAI of the Netherlands, added that this group will not just be involved in works on computing tools but that its field would be much broader and also cover questions of regulation and management relating to the use of information technologies, such as security or legislation in that area.

Mr. Logerot, President of EUROS AI, thanked Ms. Stuiveling for those clarifications, which reveal the generalist and global nature of the approach that has been chosen.

The Governing Board approved the proposal to create a working group on information technologies, and it supported the candidacy of the SAI of the Netherlands for presiding over it. This proposal will be presented to the forthcoming Congress, in application of articles 9.5. of the Statutes and 13 of the Rules of Procedure.

17. Designation of a member of EUROS AI for the INTOSAI Task Force on Strategic Planning

Mr. Nieto de Alba, Secretary General of EUROS AI, informed the Governing Board of a letter dated 20th November 2001 sent to him by the Secretary General of INTOSAI regarding the designation of a representative of EUROS AI on the INTOSAI Task Force on Strategic Planning, set up in Seoul in the 49th meeting of the Governing Board of INTOSAI. This post had to be filled by choosing a member of EUROS AI which was not a full member of that working group and which belonged to the Governing Board of INTOSAI, in other words, from among the SAIs of Portugal, Hungary and the United Kingdom.

The Secretary General of EUROS AI said that, in a letter dated 12th February 2002, the SAI of the United Kingdom declared its willingness to undertake this task. The Secretary General requested the Governing Board to pronounce in this regard, stating that for its part the SAI of Hungary has declared its interest in the

group that might in future be set up on the subject of fighting against laundering of public capital as a possible means of financing international terrorism.

Mr. de Sousa, President of the SAI of Portugal, fully supported the designation of the SAI of the United Kingdom for the said working group, specifying that the SAI of Portugal had, within the scope of INTOSAI, already accepted joining the Working Group on the Independence of SAIs.

Mr. Fiedler, President of the SAI of Austria, and Secretary General de INTO-SAI, stated his satisfaction with the candidacy of the SAI of the United Kingdom, which is an acknowledged and esteemed member within the scope of EUROSAI and INTOSAI, and which will know perfectly how to represent our Regional Group in that working group. The SAI of Austria, which is also present in that working group, will, in connection with the other European members, ensure a close coordination between EUROSAI and this working group of INTOSAI. As far as the subject of the laundering of capital as a possible means of financing international terrorism was concerned, this is a subject on which no decision needs to be taken for the time being. Right now, there does not exist any working group on this topic, and just some preparatory works need to be carried out: a questionnaire will be sent to member SAIs of INTOSAI and only when this has been analysed will it be appropriate to decide on the possible setting up of a working group. It is therefore necessary to wait for the evolution of this question without rushing into it, and today is not the day for dealing with this matter.

Mr. Kovacs, President of the SAI of Hungary, stated his full support for the candidacy of the United Kingdom, at the same time as recalling that the SAI of Hungary is currently very busy with preparations for the forthcoming INTOSAI Congress. Moreover, he stated his interest in principle of working on the topic of the fight against corruption, without, of course, interfering in the processes underway.

Sir John Bourn, President of the SAI of the United Kingdom, declared that for him it would be a great honour to represent EUROSAI in the INTOSAI Task Force on

Strategic Planning. With the agreement of Mr. Sousa, the tasks would thus be distributed in such a way that the SAI of Portugal would represent EUROSAI in the INTOSAI Working Group on the Independence of SAIs. He emphasised that the participation of the SAI of Austria in the Task Force on Strategic Planning is a very important aspect for EUROSAI, and he expressed his willingness to work in close collaboration with the SAI of Austria, with the aim of making a positive contribution to that group, in the interest of Europe and on behalf of all his EUROSAI colleagues.

Mr. Logerot, President of EUROSAI, confirmed that the only decision required of the Governing Board today is to designate a member of EUROSAI for joining the INTOSAI Task Force on Strategic Planning. As far as the other matters were concerned, he said that the SAI of Portugal is well capable of carrying out its tasks in the Working Group on the Independence of SAIs, and he then pointed out the interest of Hungary regarding the topic of the fight against the laundering of money though, as has been stated by Mr. Fiedler, and rightly so, the Governing Board does not need to adopt any position today on this subject.

The Governing Board unanimously agreed to designate the SAI of the United Kingdom for participating in the INTOSAI Task Force on Strategic Planning. This decision will be notified to the Secretary General of INTOSAI.

18. Information relating to the proposal from the SAI of Germany to organise the VI EUROSAI Congress

Mr. Logerot specified that this item appears in agenda by way of information only for members and observers of the Governing Board, and he made it clear that the decision regarding the place for holding the VI Congress will be taken in Moscow during the course of the V EUROSAI Congress.

Mr. Elles, representative of the SAI of Germany, declared the willingness of the Bundesrechnungshof for hosting the EUROSAI Congress in Bonn, to be held in 2005. He explained that the candidate ex-



pected to be the future president of the SAI of Germany had been unable to attend this meeting in order to present in person the proposal of the SAI of Germany, since the procedure for his appointment had not been concluded. Mr. Elles stated that he would feel very satisfied if the Governing Board were to offer its support to this initiative, which is presented to participants by means of a film.

Mr. Logerot, President of EUROSAI, thanked Mr. Elles for this very charming presentation, the excellent quality of which he thinks backs up the possibilities of the SAI of Germany being designated to organise the 2005 Congress.

The Governing Board took note of the proposal of the SAI of Germany, which will be submitted to the decision of the EUROSAI Congress met in Moscow on the coming 27th to 31st May.

19. Date and place of holding the next meeting of the Governing Board

Mr. Logerot, President of EUROSAI, recalled that the 25th meeting of the Governing Board will take place in Moscow immediately prior to the holding on the Congress, on 27th May 2002, as had already been provided for by the SAI of the Russian Federation. The 26th meeting of the Governing Board will be held immediately after the Congress, and under the presidency of Mr. Stepashin, to whom thanks is extended for hosting these events.

Mr. Shelyuto, representative of the SAI of the Russian Federation, confirmed that the Court of Audit of the Russian Federation is currently preparing the meetings of the Governing Board before and after the Congress, within the general framework of the organisation of the Congress.

20. Any other business

Mr. Nieto de Alba, Secretary General of EUROSAI, invited members of EUROSAI to inform the Secretariat General of any seminars or meetings they might be organising so that by means of their services all members of EUROSAI can benefit from that information.

Mr. Logerot stated that all member SAIs of EUROSAI can report on their ac-

tivities in different ways, but the Secretariat General, as with the Presidency, constitutes the proper place for the gathering and dissemination of information, as already shown in the initiatives taken in this field. It falls to members of EUROSAI to make proposals so that this cooperation can be intensified even more.

Mr. Logerot, President of EUROSAI, thanked Mr. Otbo, President of the SAI of Denmark, and his collaborators and all those who had participated in the preparation and satisfactory development of this meeting, which he closed.

APPENDIX I

LIST OF PARTICIPANTS

I. Members

Denmark:

Mr. Henrik Otbo
Ms. Nana Henning
Mr. Yvan Pedersen
Ms. Michala Krakauer

Spain:

Mr. Ubaldo Nieto de Alba
Mr. Manuel Nuñez Pérez
Ms. Marta Fernández Pirla
Mr. Jerónimo Hernández-Casares

Estonia:

Mr. Juhan Parts

Russian Federation:

Mr. Sergey Stepashin
Mr. Nikolay Paruzin
Mr. Fyodor Shelyuto
Mr. Mstislav Afanasiev

France:

Mr. François Logerot
Mr. Jean-Pierre Bonin
Mr. Christophe Perron
Mr. Philippe Milhat

Czech Republic:

Mr. Lubomír Voleník
Ms. Marie Eisnerova
Mr. Michael Michovsky

Slovenia:

Mr. Vojko Anton Antoncic

United Kingdom:

Sir John Bourn
Mr. Richard Maggs



Mr. Bruce Bedwell
Mr. Mark Davies

II. Observers:

Austria:

Mr. Franz Fiedler
Mr. Wolfgang Mag Wiklicky
Mr. Wilhem Mag Kellner

Hungary:

Mr. Árpád Kóvacs

Norway:

Mr. Bjarne Mork-Eidem
Mr. Per A. Engeseth

IDI:

Mr. Magnus Borge
Ms. Else Karin Kristensen

Portugal:

Mr. Alfredo José de Sousa
Mr. José F. Tavares

III. Guests:

Germany:

Mr. Lukas Elles
Ms. Francisca Schmitz

Netherlands:

Ms. Saskia Stuiveling
Ms. Andrea Connell

Poland:

Mr. Mirosław Sekula
Mr. Jacek Jezierski
Mr. Jacek Kolasinski
Mr. José F. Tavares

APPENDIX II

RESOLUTION RELATING TO THE BUDGET FOR THE ORGANISATION

Draft resolution (1)

The Governing Board of EUROSAI, in its last meeting held in Ljubljana on 29th March 2001, entrusted the Training Committee with the drawing up of proposals on the evolution of the budget for the Organisation, in which possible financing of

training actions will be considered, along with a possible reduction in the cost of publications.

The Governing Board of EUROSAI pronounces as follows:

– **It reaffirms** its consideration that the cost of publications is excessive and that it currently consumes a high percentage of the budget.

– **It recognises** the work being carried out by the Training Committee and considers that its results are effective and useful for the Organisation.

– **It confirms**, therefore, the interest in the continuity in the development of the Training Policy and its being put into practice.

– **It takes note** of the necessary financial support that must be granted to training actions in general, and to cooperation with IDI in particular.

– **It is aware** of the low budget of the Organisation for meeting costs, not just at the level of current expenses but also at the level of carrying out the Training Policy.

Therefore, and bearing in mind the works and alternatives produced by the Training Committee - **Documents 1 and 2** - and the final proposal presented to this Governing Board, it is decided:

• **In relation to the publications** and in particular to the EUROSAI Magazine, *that it shall be published on paper in its English version only, with a slight reduction in the quality of the edition, and with the Magazine being published in the other official languages of the Organisation in the WEB site of EUROSAI.*

• **In relation to the budget** of the Organisation for the next three years, *to propose to the V Congress a fifty percent increase with respect to the previous budget, implying going from a budget of approximately 57,150 euros to 84,141.7 euros*

• **In relation to the principles for the granting of subsidies, to approve the guidelines and criteria stated in the report.**



V EUROSAI CONGRESS

The SAI and State Budget Audit

Recommendations

The V EUROSAI Congress held in Moscow in May 27–31, 2002 has discussed national reports, analytical papers and reviews, and other documents submitted by the EUROSAI members on the theme *The SAI and State Budget Execution Control*.

Addressing this theme the participants assessed the role SAIs have as the budget proposals are prepared by the governments and then discussed by the parliaments, considered in detail the audit during and after state budget execution, had a thorough discussion of IT used in the state audit. The subthemes of the Congress were as follows:

Subtheme I. 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.

Subtheme II. The Control during and after Execution of the State Budget.

Subtheme III. The use of IT in the State Budget Execution Audit.

In fulfilling the stated purpose of EUROSAI to promote professional and technical understanding and cooperation among its member states;

While recognizing the important principle of respect for the juridical legal ordinance by which each supreme audit institution is governed;

Whereas the SAIs have the necessary powers,

1. The Congress **affirms** that:

1.1. SAIs' vast experience and knowledge accumulated while auditing the state budget execution constitute an important potential which can be utilized in the course of preparation and execution of the budget.

1.2. Specifying objectives and results in a budget is an additional management and control tool for making it a final-result-oriented budget and allowing more parliament influence on the budget. The interrelation between initial data and pro-

jected results becomes more evident and contributes to the effectiveness of the state sector.

1.3. As a rule, budget allocations may only be exceeded when special exceptions are made by the parliament or minister of finance, such as for extraordinary or imminent items. This model makes the budget less flexible. At the same time, the executive branch's unlimited freedom in changing the allocations could hardly be acceptable, as it may reduce the role of parliaments in authorizing the extraordinary items.

1.4. A major portion of the budget expenditure is determined by the existing laws and financial obligations, which limits the parliament's capability to make decisions on budget issues. It is important that SAI consultations and findings be provided to the parliament with regard to the long-term financial obligations. The above recommendation is also important for the parliament's mid-term financial planning.

1.5. In the cases when SAIs are involved in drawing up the budget, their role as a rule is limited to that of providing, without commitment, consistent and balanced advice. As a rule, SAIs do not have the authority to introduce changes into the budget estimates by the executive branch. Their proposals are non-binding. It should be kept in mind, though, that involvement of the SAI in the budget procedure must not jeopardize its independence in the subsequent audit of the budget execution.

1.6. A SAI may enjoy a more active role of an independent advisor to the parliament, if its budget can not be constrained by the executive. However, no legal mandate is required, for the SAI to provide advice both to the parliament and government.

1.7. The reports by the SAI on the final accounts facilitate the legislators' job and form a basis for the parliament's decision making process. While doing the audit of financial reports, SAIs have to provide the legislators with reliable information on the manner and on the degree of



the implementation by the government of the parliament's intentions.

1.8. Each country intends to nationally adopt and use what is considered an internationally accepted best practice; this would allow the SAIs to audit the use of state finances, and to do the reporting in accordance with INTOSAI standards and with due transparency ensured.

1.9. In addition to the transparency of the state budget, the parliaments increasingly demand reliable and verified information on the amount of spending by the state and on spending items, and also on what are the social and economic benefits and effectiveness of public money spending.

1.10. Implementation of state-of-the-art IT by SAIs can be a powerful tool to support efficient and effective auditing of the execution of the state budget.

Using IT tools is not just about technology and trying to keep up with the most up-to-date solutions; it is primarily about skilful application of the developments in this field of knowledge in order to achieve clearly defined and specific audit objectives. They should give an additional value to the auditing process and satisfy the need to keep abreast with the latest developments and to select adequate tools.

By providing a friendly IT implementation environment for SAIs, legislative and executive bodies would help achieve effective audit of the state budget preparation and execution; such environment should be considered as norm.

II. Drawing on the results of discussions, the Congress **recommends:**

In the area of organizing audit of the state budget

2.1. Interacting with the executive branch, to seek to fully exercise its legal mandate as a SAI, in order to achieve a greater depth of the state budget audit .

2.2. Interacting with both the executive and legislative branch, to work to create an effective system of state financial control, such as would involve cooperation of external and internal audit and control bodies at various levels of executive and legislative power.

In the area of auditing the preparation of budgetary proposals

2.3. In the cases when SAIs are involved in an advisory capacity in drawing up the budget, not only to supply the parliament with the SAI audit results needed to control the budget execution, but also to provide consultations both to the legislative and executive branches at the budget preparation stage. The earlier the SAI can begin consulting, the more efficient these consultations will be in principle. The consulting SAI should always pay special attention to staying independent, particularly if consulting occurs at an early stage.

2.4. When examining an input-based budget, the SAI should press for a level of segmentation sufficient to provide an appropriate degree of transparency, for the purpose of informing the parliament and to facilitate any review work by the SAI.

When examining an outcome-based budget, the SAI should press to ensure that final goals and estimated results are specified, as this will contribute to a more effective use of the state resources.

2.5. To make the parliament aware that SAIs need to be financially independent, in order to play a more active role and act as the parliament's independent advisor.

2.6. In those countries where the executive branch has the right to introduce changes into budget allocations, to propose to the parliament to establish, through legislation, relevant procedures, rules and limits of such changes, and also to include these procedures in the SAI audit mandate.

The flexibility in the budget execution, thus obtained, requires an efficient system of internal control in the executive bodies.

In the area of auditing the budget execution

2.7. The execution of the state budget and the audit of its report need a stable, well developed legal framework. Therefore, the SAIs should promote, through their recommendations and suggestions, the transparency of using public money, a full-scale legal regulation, which guarantees adequate audit conditions while audit-



ing the final accounts and the reduction in the number of extraordinary provisions on appropriations that lower financial confidence. This activity should not jeopardize the SAIs' independence from the executive power.

2.8. In addition to the requirement of public money transparency, parliaments increasingly demand reliable and verified information about the following: how much money and on which items the state spends during the execution of the budget and what the social and economic benefits and the effectiveness of expenditure are. SAIs should seek to comply with these requirements when auditing the state budget execution. Also, they can use both financial audit and performance audit in their review of final accounts. Financial audit and the accounting system serving as the basis for preparing financial statements are interrelated. Consequently, SAIs have a special role in advising on developing the state budget accounting system of their countries and in forming connected accounting and auditing standards and in the professional training for controllers.

2.9. In the process of auditing the state budget execution, SAIs should organize their work in a way that assures an economical, efficient, effective and timely execution of proper audit. It is necessary to take into consideration the operation of all public sector's internal control systems, their mechanisms and types of activity, which the SAI has to assess and support by its available means (e.g. an exchange of standards, methods, and experience). At the same time, this support serves – in the system of budget accountability – to improve the auditing of the final accounts through independent internal supervisory audits, which increases confidence in the reports and accounts and reduces auditing risks.

2.10. Auditing the government's report on the state budget execution means a special responsibility for each SAI. SAIs should base their opinion and report on appropriate, sufficient and documented evidence so that the Parliament be more confident while making its decisions. At the SAI level, these requirements imply a quality assurance system which means using consistently the accepted and commonly applied audit methods and techniques. This can only be achieved by

working out methods and procedures that comply with the international standards and creating a consistent hierarchic documentation system.

In the area of using IT

2.11. To seek to achieve a SAI-friendly IT implementation environment, through dialogue with the executive and legislative branches, which involves:

2.11.1. providing sufficient legal powers to access all the data required to achieve proper control over the forming and execution of the state budget, the data being consistent regardless of the format (electronic or hard-copy);

2.11.2. providing free of charge access to data, at least in those cases when an auditee agency is completely or partly financed from the state budget;

2.11.3. developing standards for the data provided by an auditee so that the data would be compatible with the SAI information system, and also developing a process to create such a standard, as essential data accessibility factors. One of the ways to achieve this is through legislation;

2.11.4. keeping auditees responsible for reliability, completeness and integrity of data provided. This is important to prevent misuse of the information and non-effective practices.

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

2.12. When encountering obstacles in IT implementation for budget formation and execution audit, to take appropriate measures as provided for by the SAI mandate.

2.13. To take into consideration the following factors while making the decisions on the character and the degree of the application of information technologies and the choice of IT tools:

2.13.1. Legal environment and the philosophy of audit, approved of by the SAI, the requirements as set up by the Parliament regarding the information to be submitted to it, the requirements of the general public.



2.13.2. The need to ensure that the development of the IT tools selected goes hand in hand with the development of audit concepts and methodology;

2.13.3. Ensuring a clear understanding by the SAI of the auditee's structure of computerized data; determination of the nature of verifications needed;

2.13.4. Possibility of benefiting from compatible technological solutions and software;

2.13.5. The degree of the auditee's preparedness to implement IT during data exchange with the SAI;

2.13.6. The need to ensure the cost effectiveness of the IT tools;

2.13.7. Available conditions and framework that would ensure the reliability, completeness and integrity of data submitted and the results of data processing and analysis.

2.14. While making the decisions regarding the elaboration of IT training means and strategies, to keep it in mind that continuing and considerable investment in human and technical resources is the key factor in the successful use of IT tools in the budget execution audit.

THERE IS NO SUCH THING AS IT AUDITING!

From 29 September to 1 October 2002, the newly-formed EUROSAI IT Working Group met for the first time in The Hague, The Netherlands¹. Representatives of 23 European Supreme Audit Institutions came together to agree on the framework and the first activities of the working group.

Paradoxically, one of the first conclusions the delegates reached, was that IT auditing does not exist. The intangible nature of automated systems and the technical intricacies inherent in them do of course add considerably to the complexity of related audits. However, speakers concurred that there is no such thing as an (elitist) specialism called IT auditing, mysterious and accessible only to a few, highly-trained and specialised technicians. On the contrary, considering the pervasiveness of automation, adequate use of and proper attention to IT and related issues should be an integral part of all audits and of the functioning of all audit institutions. Thus the activity referred to as IT-auditing is no more and no less than 'normal' auditing with special attention to IT-related issues.

However, this message is far from broadly accepted within the EUROSAI community of SAIs, and by individual

managers and auditors. So rather than disbanding itself at its first meeting, the working group took up the challenge of developing tools and of raising awareness in order to make the world of IT *and* audit more accessible to the full membership of EUROSAI.

Following an IT-excursion to the computer-driven Storm Surge Barrier at the Hook of Holland, and to the maritime simulation centre in Rotterdam harbour, and after hearing about e-governance in practice through the Dutch example of electronic tax returns, the working group agreed to focus on the following four issues:-

1. how to audit IT-driven international agreements and regulations;
2. how to audit e-governance, e-procurement and electronic service delivery;
3. how to audit government investments in IT hardware, software and 'humanware'; and
4. how to develop the capacity of SAIs to meet their strategic goals through the use of IT (e.g. in relation to internal management, more effective audits and skills development of staff).

For each of these topics, a sub-group was established to take the work forward.



¹ The EUROSAI Congress, meeting in Moscow on 31 May 2002, took the decision to establish the EUROSAI IT working group on the same principle as the EUROSAI Environmental Working Group. The IT working group is chaired by The Netherlands Court of Audit.



First meeting of the EUROSAI-IT Working Group.

Progress will be measured at the next meeting of the working group to be held in Switzerland in early 2004.

The EUROSAI IT working group will work in close cooperation with the INTOSAI IT Standing Committee, and it is hoped that the other INTOSAI regions will soon follow in creating their own IT working groups. This would allow not only for a better translation of INTOSAI IT prod-

ucts and initiatives to the regional level, but also for horizontal cooperation between the various regional working groups.

The EUROSAI T Working Group will be reporting back to the next EUROSAI Congress in Bonn in 2005. For those impatient to find out more, we recommend a visit to the working group's website on www.eurosai-it.org.



2ND EURO-AMERICAN CONFERENCE OF SUPREME AUDIT INSTITUTIONS

Financial Control Subjects: Advances and Prospects

CONCLUSIONS AND RECOMMENDATIONS

Cartagena de Indias, Colombia, 10th and 11th July 2002

SUBJECT 1. CONTROL AND THE FIGHT AGAINST CORRUPTION IN A GLOBALISED WORLD

Conclusions

1. The mobilisation of illegal capital puts obstacles in the way of the political and economic potential of the public, creating economic and financial groups that

insure that their interests prevail over those of the community, negatively influencing the democratic development of national communities.

2. Internal means of control have demonstrated that they are not sufficient to guarantee that public services can attend to the public according to the standard patterns of good government.

3. The SAI have to be highly trained and have constantly updated experience if they wish to last, being aware of the importance of public knowledge of their management, encouraging the permanent and convenient support of parliament, the media and the people for the work that they perform.

4. The communications systems and those for the exchange of information between the SAI are acquiring in the present period a very high level of technological advancement that complements and guarantees the development of their activities, which it is considered has to point fundamentally at the well-being of the people and of the community as a whole.

5. For the audit action to be a success, social control means have to be put into practice and citizen control instruments propitiated, organised under the responsibility of civil society, their collaboration being included through their intervention in the position of supervisors in the control actions to be performed by the SAI, in terms of their interest in the subject and their possibility of contributing.

6. It is not admissible in our democracies that joint capital companies, or private operators who perform the same activities financed with public funds, that were formerly carried out by public departments and agencies subject to the SAI accounting principles and audit, should be excluded from the necessary control of these.

7. Sufficient world consensus exists to understand the need to adopt agreements for cooperation in audit processes, judicial detection and investigation of acts of corruption, in the subject of international public contracting.

8. It is clear that any measure that is taken with the legal instruments for fighting against crime, within the framework of international cooperation among the judicial powers and the police at the domestic level, will have very limited effects if international coordination and cooperation are not taken into account.

9. The globalisation of international relations will allow the possibilities of reciprocal coordination and cooperation to become wider, which will permit our capacities for fulfilling the functions assigned to be enriched.

10. Experience has shown that the control bodies need to be recognised and enjoy autonomy within the framework of international legal cooperation against corruption.

11. In accordance with the view of various countries in the OLACEFS region, national anti-corruption strategies tend not to value the SAI fully. Apart from the problems of coordination and speaking in institutional relations, problems occur regarding moral authority: it frequently happens that Government bureaucrats are found mysteriously formulating the anti-corruption strategy, at the same time that the control bodies are revealing serious problems of corruption in the Government.

12. The promotion of ethical and civic values, aimed at constituting and reinforcing a culture of probity in public administration and finally in society in general constitutes one of the challenges of the SAI.

Recommendations

1. It is imperative to make ample international agreements and take the legislative measures necessary for due cooperation between the Supreme Audit Authorities, with the object of efficiently combating non-legal acts. In principle, article XIV must be put into practice on the Assistance and Cooperation of the Inter-American Convention against Corruption, together with numbers 8 and 9 of the Declaration of the United Nations on Corruption and Bribery in International Commercial Transactions, also encouraging the extensive application of the Anti-Bribery International Convention of the Organisation for Economic Cooperation and Development (OECD).

2. It is necessary for a part of society, mainly from the private sector, to commit itself to activities of public interest, contributing to exercising the respective control by sharing this responsibility with the State.

3. It has become necessary to put systems of cooperation into practice for the lifting of bank secrecy in the country and abroad of functionaries involved in irregularities in the matter of control actions and also the permanent exchange of information on international transactions, internal control systems and fraud detection.



4. The role of the SAI has to be strengthened with the object of increasing accountability in the political field, as the SAI is the only state institution independent of the Executive that can provide technical assistance to the parliaments so that these can exercise greater political control.

5. Advantage should be taken of the national preparatory Meetings of the future convention of the United Nations, promoted by the Inter-Governmental Group of Experts, with its headquarters in Vienna, to strengthen the consensus on the convenience of providing non-judicial bodies with more tools to combat trans-national corruption.

6. It has been suggested that means should be considered that would prevent firms responsible for acts of corruption in a foreign country – for a period of time of at least 5 years – from participating in public bidding and making contracts with signatory States of the future Anti-Corruption Convention of the United Nations.

SUBJECT 2. “SUPREME AUDIT INSTITUTIONS AND INTERNATIONAL COOPERATION”

Conclusions

1. The economic differences between the developed countries and the countries that have a lower level of development force a transfer to be made of resources from the first to the second via the different international cooperation channels. This transfer implies a great challenge for the SAI in one or another State, in order to prove the legality of the use of these resources and also the efficiency, results and impact of their application.

2. The fight against corruption must be institutionalised through International Bodies and Institutional Bodies of the SAI, such as EUROSAI and OLACEFS, in the sense of seeking cooperation to avoid an increase in this social scourge. The benefits derived from undertaking intense activity of international cooperation are recognised within the framework of international bodies, multilateral bodies and inter-institutional organisations as well as bilateral cooperation.

3. The EUROSAI – OLACEFS alliance can be the axis both for the tradition-

al legal and financial controls and the more modern ones: efficiency, results, impact. The main tools that must be employed by the SAI to achieve this coordination are:

a) The network of cooperation and integration processes discussed in the first EUROSAI – OLACEFS Conference in Madrid.

b) The auditing and internal control standards of the INTOSAI.

4. The standards prepared by the INTOSAI in the different Work Groups (Public Debt, accounting, the environment, programme control, electronic data processing, privatisation and the last group of ad-hoc Audits for International Operations) but be constituted in vital elements for making this coordination consistent and integrating.

5. Audits of the funds of the International Financial Institutions are an important base for cooperation based fundamentally on the strong standardisation in the procedures. The audits on donations that have been made are also important, as they permit valuable experiences to be obtained for them to be exchanged.

6. The IDI is an extremely important tool for ensuring and widening the transfer of present knowledge between the SAI. Therefore, continuous support is required for the work of the IDI.

7. The SAI in donor countries of assistance for development could play an important role in order to ensure that this aid is more efficient and aimed at the results expected.

8. The most developed SAI must understand the importance that it has for the less developed SAI with less experience in the control of public management, to make cooperation agreements that allow the transfer of new knowledge, techniques and technologies, whether through training, sabbaticals of functionaries, specialised technical advice or by means of establishing communication and information procedures and other types of cooperation.

9. The success achieved by different cooperation efforts between SAI in various countries in unifying experiences and resources for effective labour is recognised. Of these, the following are given as examples:



9.1. Scientific and cultural cooperation developed in the context of the SAI in the Community of the Portuguese-speaking Countries, relating to the control of the use of public financial resources, has been very fruitful and constitutes a constant concern for the institutions and shows the positive achievements that can be reached with integration among the SAI.

9.2. The diverse cooperation activities between the SAI in the 15 member States of the European Union within the context of the Presidential Contact Committee, including the comparative analysis of national management models and control of Community structural funds, observance of the policy of competitiveness promulgated by the European Union at the State aid level and the development of a system of electronic connections between the various SAI.

All these activities constitute concrete examples that justify the principle of cooperation and mutual assistance, through the creation of common objectives that always guide the international cooperation activities.

10. The support that the SAI receive on the part of multilateral bodies, mainly financial, or on the part of agencies and Cooperation bodies for development, must not compromise their independence in exercising control over other projects carried out with funds from the same sources.

11. The SAI must be an example of efficiency, transparency and responsibility in the handling of resources from international credit, particularly in the modernisation projects many of them handle.

12. There is a tendency not to consider the SAI in the international agreements for the fight against corruption signed by governments, a more pro-active attitude from the SAI being necessary in order to incorporate an acknowledgement of their function as transcendent agents for the governing of countries.

Recommendations

1. To consolidate a EUROSAL-OLACEFS alliance that performs a leading role that is effective in the coordination between the SAI of both continents. Both organisations are the strategic platform par excellence for cooperation regarding Con-

trol of the projects generated and the resources invested in for the development of the regional integration processes.

2. To pro-actively encourage the convenience of including the SAI in all the programmes and multilateral and bilateral instruments for fighting against corruption before the chancellery of the different States, particularly in the future convention of the United Nations on this issue.

3. To make up a Permanent Committee or Special Work Team with delegates from the OLACEFS and EUROSAL respectively, for the analysis and development of coordinated, concurrent or joint control programmes on issues regarding the control of International Cooperation funds.

4. Apart from the financial and legal control of the resources of international cooperation, the SAI should, individually and collectively, take control of efficacy and efficiency in the use of these resources and of their economic and social impact, in accordance with national legislations.

5. To take decisions to programme the restoration of forums, workshops and virtual and/or physical conferences as soon as possible, with the purpose of strengthening cooperation and mutual support between the Latin American and the European SAI.

6. To develop an agenda for cooperation in specific investigations between the SAI and to exchange information related to cases of possible situations of corruption and embezzlement in transactions involving international actors.

7. It is suggested that a specific chapter on the control of International Cooperation funds should be included within the framework of the Strategic Plan for INTOSAI.

8. To prepare an EUROSAL-OLACEFS work agenda with the purpose of identifying and promoting joint cooperation actions between the SAI and Latin America.

THIRD SUBJECT. "CONTROL IN ENVIRONMENTAL MANAGEMENT"

Conclusions

1. In spite of the different competences and the scope of the control exercised by



the different SAI in Europe, Latin America and the Caribbean, together with the regulations and standards that rule public management in our countries, harmony exists in which natural resources and the environment are considered as public assets and, consequently, it corresponds to the SAI to contribute to their preservation and sustainable exploitation in benefit of the economic growth processes.

2. The trans-frontier nature of the impact generated on the environment, as a result of the globalisation process, such as free trade, technological revolution in telecommunications, the operating of trans-national companies and the globalised capital market, present new and greater challenges in watching over public management for the supreme control bodies. For example, trade and exchange of agricultural goods (genetically modified or not) introduce an important variable to be considered by the SAI in watching over local production conditions and in the adoption of good productive practices since, in this way, risks generated by one country can be transferred to another.

3. All countries recognise this reality and indicate the limitations imposed by the absence of a regulatory framework allowing the responsibilities derived to be established, together with the imperfection of the economic instruments for valuing the environmental costs derived from economic development. As a consequence, cooperation between countries and, particularly, between the SAI is fundamental in contributing to reversing the global environmental deterioration processes.

4. Many international agreements have been reached by our countries. The Twenty-first Agenda prepared in Rio de Janeiro ten years ago, whose success will be evaluated next month in Johannesburg, the Kyoto Protocol, the Montreal Convention, the MARPOL or the RAMSAR Convention, only to mention a few, show that, in spite of the good intentions of governments, the results in many cases can be qualified as poor. There is still a great difference between words and actions, in some cases derived from the intervention of the interested groups.

5. The SAI present state their concern over the fact of there being over 150 international agreements on environmental

matters, committing very important amounts of public resources, without there being any knowledge on the results of the greater part of these, making the development of common instruments that allow for the follow-up and evaluation of their application and results essential.

6. The global regulatory framework (conventions and treaties) requires the environmental audit to adopt universally accepted technical standards, together with the signing of agreements for cooperation between the different SAI for their follow-up and evaluation, as has been occurring in the member countries of the EUROSAI and, more recently, between the SAI in Latin America and the Caribbean.

7. The environmental crisis suffered by the planet (particularly due to the contamination and pollution of the natural environment, the vulnerability of the ozone layer, the exhaustion or depletion of the water available, together with the loss of flora and fauna genetic resources) present an urgent need for all the SAI to include the environmental side in their examination of public management, for which the SAI have worked individually and collectively on possible instruments and methodologies, knowledge of which is essential for others through the exchange of experiences and information.

Recommendations

1. The SAI's, both EUROSAI and OLACEFS, have working groups on environmental issues that recently approved their respective plans for the 2002 – 2005 period and which must be strongly supported by the SAI involved in their execution, as a privileged way of exchanging information and methodologies for environmental auditing and for control and surveillance of common environmental resources, particularly in international river basins, sea pollution and protection of wetlands, among others.

2. The execution of the work plans will allow the development of environmental auditing pilot programmes and the standardisation of methodologies, allowing integrated auditing that involves different analysis perspectives, since environmental policy and management involve all the sectors of the State and even private actors that escape direct control by the



SAI's, unless this is by means of exercising control of the control.

3. Given the importance historic and cultural assets have for our societies as a

consubstantial part of nationality, watching over their conservation and protection must be included in the control tasks of the SAI's.

EUROSAI ACTIVITIES IN 2002

- XXIV MEETING OF THE GOVERNING BOARD OF EUROSAI
Copenhagen (Denmark), 7 March 2002
- II MEETING OF THE ENVIRONMENTAL AUDIT WORKING GROUP OF EUROSAI
Paris (France), 11 and 12 April 2002
- CLOSING OF THE TRAINING THE TRAINERS WORKSHOP OF THE LONG-TERM REGIONAL TRAINING PROGRAMME (LRTP) OF IDI
Cracow (Poland), 25 and 26 April 2002
- V EUROSAI CONGRESS AND XXV AND XXVI MEETINGS OF THE GOVERNING BOARD OF EUROSAI
Moscow (Russian Federation), 27 to 31 May 2002
- VI MEETING OF THE TRAINING COMMITTEE
Madrid (Spain), 5 July 2002
- II EURO-AMERICAN CONFERENCE OF SUPREME AUDIT INSTITUTIONS EUROSAI - OLACEFS
Cartagena de Indias (Colombia), 10 to 12 July 2002
- II TRAINING EVENT
Budapest (Hungary), 18 to 20 September 2002
- MEETING OF THE WORKING GROUP ON INFORMATION TECHNOLOGIES IN EUROSAI
The Hague (Netherlands), 30 September 2002
- SECOND SEMINAR OF ENVIRONMENTAL AUDITING "INTERNATIONAL ENVIRONMENTAL AUDITING"
Golawice (Poland), 2 and 3 October 2002
- WORKSHOP ON STRATEGIC PLANNING WORK OF THE IDI TRAINING PROGRAMME FOR EUROSAI
Zagreb (Croatia), 11 to 14 November 2002



EUROSAI AGENDA 2003

- MEETING OF THE TRAINING COMMITTEE
Lisbon (Portugal), 20 to 22 January 2003
- 3RD TRAINING EVENT
Prague (Czech Republic), 26 to 28 May 2003
- EUROSAI-EURORAI CONFERENCE
Copenhagen (Denmark), 5 and 6 June 2003
- MEETING OF THE ETC
Warsaw (Poland), 23 and 24 June 2003
- II MEETING OF THE WORKING GROUP ON INFORMATION TECHNOLOGIES IN EUROSAI
Bern (Switzerland), 15 October 2003
- XXVII MEETING OF THE GOVERNING BOARD OF EUROSAI
Italy, 28 October 2003
- 5TH MEETING OF THE CO-ORDINATORS OF THE EUROSAI WORKING GROUP ON ENVIRONMENTAL AUDITING
The Netherlands, December 2003
- THIRD ENVIRONMENTAL SEMINAR "WASTE MANAGEMENT AUDITING"
The Netherlands, December 2003

NEWS ON EUROS AI MEMBERS

125 YEARS OF SWISS FEDERAL AUDIT OFFICE

In 1902 the final vote was taken in the newly opened Parliament Building on the Federal Law on Transactions between the National Council, the Council of States, and the Federal Council. This law led to the creation of the standing Finance Committees and the Joint Committee on Finance. The predecessor organisation of the Swiss Federal Audit Office (SFAO), the Federal Supervisory Office had already been created in 1877. This double anniversary was celebrated with a ceremony and a conference on the current issue of "Industry and information society related risks and the challenges for federal supervision systems" on 12th and 13th September 2002 in the National Council chamber.

The current federal financial supervision systems were established by the Federal Assembly (Parliament) in October 1902. At that time, several motions had been made in Parliament demanding the urgent creation of a court of auditors. This did not, however, seem to conform with the Swiss mentality because the Federal Assembly would have had to share its exclusive supreme supervisory powers with this institution. That is why the Federal Council put forward a Message to Parliament in 1899 proposing to build a new system using the existing institutions: The 25-year-old Supervisory Office became the Federal Audit Office (SFAO) and the ad hoc committees, which had been created for controlling the budget and accounts, became the standing Finance Committees of the National Council and the Council of States. The most important reform of the system, however, was the creation in 1902 of the Joint Committee on Finance drawing on members from both chambers, with three members from each Finance Committee, and responsible for auditing and supervising the entire federal budget. The Joint Committee on Finance could therefore Swiss Federal Audit Office celebrate jointly with the SFAO an important milestone in its history, namely its centenary. The SFAO has since developed into an independent institution for the financial supervision of the Confederation. It has

nothing to fear from comparisons with the supreme auditing authorities of other industrial nations, even though it does not yet have the constitutional status of a court of auditors.

An impressive number of good-humoured and interested guests from Switzerland and abroad gathered at the *anniversary ceremony*; amongst them representatives from Government, Parliament, Cantonal Audit Offices as well as Presidents of Supreme Audit Institutions from European partner audit authorities.

In his welcome address, Director *Kurt Grüter* outlined the changing role and activities in the SFAO's 125-year history. Today, the SFAO carries out its work independently and autonomously, entirely in line with the criteria set up by INTOSAI. At the same time, the SFAO maintains excellent contacts with the Federal Finance Department (Ministry), the Federal Council (Government) and Parliament.

In his capacity as Secretary General of INTOSAI, *Dr. Franz Fiedler*, President of the Court of Audit in Austria, conveyed his best wishes on the 125th anniversary of the SFAO. He also attested to the internationally highly respected financial supervision system in Switzerland and acknowledged the active participation of the SFAO in its activities on an international level.

The *anniversary conference* will be dealing also held during the festivities dealt with the highly charged issue of what the Confederation can be held liable for and how these risks should be managed. In addition to many agricultural organisations, many other types of organisation are entrusted with public duties by the Confederation. The government now engages in outsourcing, privatisation and competition. Nevertheless, the Confederation still accepts secondary liability for enterprises such as the SBB (Swiss Federal Railways), Swiss Post, Skyguide, the Federal Institutes of Technology, the Paul Scherrer Institute, the Swiss Electro-technical Association, Swissmedic and others. Post and Skyguide (Air Traffic Control). The Confederation bears an enormous risk, without having any great possibilities



for intervention or control. Should the Confederation continue to assume liability, and if so, on what terms and with what amount of leverage? Competent speakers have contributed to the debate and provided first answers to these questions.

Further information: Conference secretariat, Tel. 031 / 322 99 08 questions. As the foreign guest speaker, *Dr. Hedda von Wedel*, member of the European Court of Auditors, presented a case study on the topic at hand to the Conference.

ACCOUNTING CHAMBER OF UKRAINE: 5th ANNIVERSARY

The Accounting Chamber of Ukraine, a constitutional body exercising control over the legality, finality, appropriateness and efficacy of public spending in Ukraine, is celebrating its Fifth Anniversary.

The Accounting Chamber acts in accordance with article 98 of the Constitution, with the Budgetary Code and with its own Act regulating the Institution, based on the principles of legality, planned nature, objectivity, independence and transparency.

During the last five years, this Chamber has achieved its main objective: it has become consolidated as a constitutional body with full capacity to act setting the bases and encouraging the development of a new conception of auditing: independent and protected by Parliament. And, something which in our opinion is more important, it has managed to attract the attention of society with regard to the evil practices of misappropriation of public funds, breaking the stereotype of regarding public money as being the property of the Government and the Treasury, and creating an awareness that the money in the State budget belongs to each and every taxpayer.

The particular feature of the Accounting Chamber as an Institution consists of the fact that, when analysing and controlling the budgetary process, it makes use of a series of verification, analysis and control actions related to the study and assessment of macroeconomic indicators influencing the configuration of the budgetary income and expenditure items.

In its very first year of existence the Accounting Chamber of Ukraine was es-

tablished as a full partner in the budgetary process, intervening in the defence of the interests of the State and of taxpayers.

The results achieved by this new Institution contribute not just to optimising the management and utilisation of public funds and to preventing misappropriation and mismanagement, but also to bringing State programmes to a successful conclusion, minimising the spending and improving their efficiency.

When conducting the verification of Draft Bills on budgets and of the Acts themselves, and when preparing the reports for the Supreme Rada of Ukraine on the utilisation of public funds, the Accounting Chamber is also contributing to the perfecting of the budgetary process.

The juridical framework of the Chamber's activities are continually being expanded, a fact that never fails to cheer us since it means that our work is necessary for the State.

During the period from 1997 to 2001, the Accounting Chamber of Ukraine conducted around two thousand activities concerning audit, control, analysis and expert opinion in around 2,500 bodies, including the Organs of Executive and Judicial Power, public bodies, departments, as well as companies and bodies belonging to both the public and the private sector. On the basis of the controls conducted, signs of improper and inefficient uses of public funds were noted amounting to several million grivnas. Unfortunately, this type of irregularity was in many cases becoming the norm in the economic life of the State.

The results of our work reveal that with a fair degree of frequency the Executive Power places ministerial orders and provi-



sions ahead of the rules set down in the Budgetary Acts, thereby demonstrating its interest in the "manual" management of the country's public funds. This system of management provokes a large number of systematic irregularities in the budgetary field.

When pointing out these irregularities we value the viability, the productivity and the efficacy of public spending, we expose the hidden driving forces that impel the budgetary process in Ukraine, and we verify the quality of the decisions taken by the public managers and value the influence exerted by these decisions on the social and political climate of our country.

Apart from audit activities as such, we also pay close attention to the development and improvement of the analytical component, which is something that differentiates us from all other State bodies of financial control existing in Ukraine.

Being a young State, the Ukraine of today does not yet possess a consolidated legislation with a long history of application. Under these conditions the detection of legislative "loopholes" facilitating the misappropriation of public funds constitutes a priority among the actions carried out by the Chamber. This is the axis of the control which we exercise on the legality in the use of public funds.

Our aim is to discover the causes leading to certain irregularities and to seek ways for their eradication and prevention in the future.

Many of the conclusions and proposals of the Accounting Chamber were taken as the basis for fighting against irregularities and they were used during the course of the economic reform and development of plans for overcoming the economic and financial crisis. In this regard, mention can be made of the proposals of the Accounting Chamber referring to improvements in budgetary legislation, greater efficiency in public spending, the cessation of the pernicious practice of mutual compensation of debts among departments and State companies, the determination of the size of Ukraine's public debt and the management of it.

We regularly inform the Head of State, the Presidency of the Supreme Rada and the Government of Ukraine regarding the

most significant conclusions of our work. The results of audits, controls, analysis activities and expert opinions activities are reflected in the informative gazettes distributed among the representatives of the Rada and are sent to the central bodies of the Executive Power. Our aim is to ensure that the Chamber's activities have as much transparency as possible.

In this way we help to solve the main problem of all the fields of power in our society: no case of illegal, improper, inappropriate or inefficient use of State funds or assets can be left unpunished.

The results of the activities of the Accounting Chamber developed during the five years of its existence show that the body is enjoying ever greater prestige and is attracting growing attention from all the Public Powers and from society itself. The position and role of the Accounting Chamber in formulating the audit system in Ukraine was made clear in the Presidential Decree on the Strengthening of the Financial Discipline and Prevention of Irregularities in the Budgetary Field, of 25th December 2001, which provides for broad participation by the Chamber in these tasks, particularly with regard to the creation of the legal framework of an integrated system of financial control.

The establishment of an efficient audit system is a multifaceted problem, with a lot of departments being involved in its solution, each of them with its own rights and responsibilities so that together they can constitute a unique system.

The international recognition of the Accounting Chamber of Ukraine is also expanding. The Chamber is a full member of INTOSAI and EUROSAI, actively participating in their work, and it currently occupies the chair of the Council of Presidents of the SAIs of the Commonwealth of Independent States (CIS).

All this constitutes a good foundation for the development of the body, but if our activities are to achieve the efficacy they need, then there still remain some important problems to solve.

We harbour the hope that the year in progress will bring us:

- the modification to art. 98 of the Constitution of Ukraine, approval of the





I. S. Plusch., President of the Supreme Rada of Ukraine, in talks with V. K. Simonenko, President of the Accounting Chamber of Ukraine, during celebrations of the 5th Anniversary of the Chamber.

new version of the Accounting Chamber Act and the Public Finances Control Act;

- the creation of regional offices with full capacity to act;

- the expansion of the staff of the Accounting Chamber with the incorporation of highly qualified technical experts;

- the subsequent improvement of activities concerning audit, control, analysis and expert opinion;

- the establishment of an integrated system for the control of public finances and the development of a constructive co-operation with other national and foreign audit bodies.



European Union

2001 ANNUAL REPORT

President Juan Manuel Fabra Vallés presented the Court's 2001 Annual Report to the European Parliament at the plenary session in Brussels on 4 December 2002. In November the report was also presented to the Budgetary Control Committee of the European Parliament, followed by a press conference with the international media. Mr Fabra Vallés also presented the report to the ECOFIN Council of the European Union during their meeting in December.

In its 2001 Annual Report on the general budget of the European Union and the European Development Fund, the Court was of the opinion that the accounts gave a true picture of the Communities' revenue and expenditure and of its financial situation for the year ending 31 December 2001, except for certain specified matters caused by weaknesses in the design of the accounting system on which the Court has repeatedly commented in the past. The Commission recognised the problems and

has launched a comprehensive accounting reform plan based on the new Financial Regulation which came into force at the beginning of 2003. The Court will closely monitor the preparation and implementation of this plan and will report on its progress. As in previous years, the Court only provided a positive Statement of Assurance on the legality and regularity of underlying transactions in respect of commitments, own resources and of administrative expenditure. A positive Statement was not provided for the other payments, which represents the majority of the budget by value, due to the incidence of errors found. The existence of these errors stemmed from shortcomings in the systems put in place by the Commission and Member States for the management of Community funds.

In the context of **agricultural expenditure**, the Court found that the accuracy of declarations supporting payments made



President Fabra Vallés presents the 2001 Annual Report of the ECA to the European Parliament at plenary session. Budget Commissioner Ms Michaela Schreyer.

by farmers and other recipients have not improved compared with previous years. The Integrated Administration and Control System (IACS) had still not been completely implemented by all Member States, and the bovine identification systems scheduled for January 2000 were not introduced on time. Other causes of errors identified include shortcomings in the implementation of checks by the national administrations (olive oil and cotton) and inadequate definition of farming practices to be applied (rural development).

As regards **structural measures**, continuing errors in the Member States' declarations of expenditure stem from weaknesses in the control systems. The Court was concerned by the delays in the implementation of regulatory control procedures: not all the control structures were operational; and the independent audit of transactions had not begun. This situation was a result of two main problems: persistent uncertainties within the Commission and Member States about their respective responsibilities; and legislation which remains overly complex in terms of programming, administration and record-keeping.

In respect of the EU's **internal policies**, the Court's examination of the Trans-European Transport Networks concluded that payments on the programme were, on the whole, legal and regular. For the Research and Technological Development actions of the 5th framework programme, the Court found overcharging of costs by beneficiaries, thus raising concerns about the legality and regularity of cost-claim based payments. The Court advised to simplify the cost reimbursement system and to introduce an effective sanction mechanism.

In the area of **external actions**, the Court examined humanitarian and food aid expenditure. Payments made by the Commission to intermediate implementing organisations (national authorities, non-governmental organisations, United Nation bodies) were, on the whole, legal and regular. However, there were errors in the payments made by these organisations to final beneficiaries, which underlined the need for the Commission's to enhance its guidance on control and management. As regards the **European Development Funds** (EDF), the Court concluded that

the accounts were reliable and that the revenue, commitments and payments recorded by the Commission were, on the whole, legal and regular. Nevertheless, the Court's work did not extend to obtaining evidence that the expenditure had been correctly incurred within beneficiary countries: problems were identified with the implementation of controls over EDF; and audits should be better planned and followed up. The Court considered that the Commission had made progress in the reform of the external actions area, however, it was still necessary to strengthen supervisory systems over the expenditure, particularly in view of the deconcentration process which will devolve management responsibilities to Commission delegations.

The 2001 financial year produced a surplus of **revenue** over expenditure, which amounted to 15 013 million euro, representing 16 % of the final Community budget. The surplus was mainly due to delays in the implementation of structural measures by Member States. Slow implementation has also been a characteristic of the EDF and the **pre-accession instruments**. For example, payments to candidate countries under SAPARD amounted to only 9.2% of available appropriations, while disbursements to final beneficiaries amounted to around 1 million euro, representing just 0.1% of available funds.

2001 was an important transitional year in the **Commission's administrative reform**, particularly in respect of financial management and control. The Council adopted a new Financial Regulation, which while globally supported by the Court, contains some elements the Court continues to find unsatisfactory, such as the use of annual instalments for commitments and carry-over of appropriations. The Commission's Directors General produced their first annual activity reports and declarations. The Court found that the Commission should improve the methodology used for preparing these reports and declarations and should provide better guidance. The Court observed that the Commission encounters particular problems in improving management and control over areas of shared management with Member States (principally agriculture and structural measures) due to difficulties in allocating respective responsibilities.



In addition to the Annual Report, in 2002 the Court published seven Special Reports covering detailed audits on different aspects of EU finances, as well as ten Opinions. All official reports of the Court

can be found on its website in the 11 language versions from the day of their publication at http://www.eca.eu.int/EN/reports_opinions.htm.

COOPERATION BETWEEN THE SAIS OF THE EU, THE CANDIDATE COUNTRIES AND THE ECA

Audit workshops - Discussion forum for the SAIs of the Candidate Countries, coordinated by the ECA and SIGMA

During the year 2002 the following workshops were organised to exchange practical experiences in between the SAIs and the ECA:

- Audit manuals and mission statements: 25 – 27 March 2002 in Vilnius, Lithuania;
- Public sector external auditing policies & standards: 23 – 26 June 2002 in Sofia, Bulgaria;

- Methodologies for audits of public internal financial control systems: 23 – 25 September 2002 in Bratislava, Slovak Republic; and

- Audit quality control and assurance: 22 - 24 October 2002 in Gdansk, Poland.

The topics were chosen after consultation of the SAIs concerned due to their strategic importance for the development of audit manuals and the link to the reports to be prepared by expert groups set up by the Liaison Officers: “The audit of Internal Control Systems” and “Quality Control in the Audit Process”.



Gdansk working group meeting in October with Mr Nick Treen, SIGMA, Mr Piotr Kownacki, Vice-President of the Polish Supreme Chamber of Control, Mr Miroslaw Sekuła, President of the Polish Supreme Chamber of Control, Mr Colin Maynard, ECA and Mr Edward Fennessy, ECA.

The results of these workshops were regularly published by SIGMA and also presented to the Heads of the participating SAIs. The conclusions can also be consulted at the following website of the ECA:

<http://www.eca.eu.int/EN/enlargement/index.htm>.

General consensus was being reached to continue in 2003 this interesting and useful form of practical cooperation. Further topics may be chosen among the following: Audit planning/risk assessment, audit sampling, audit of IT systems, use of computer assisted audit tools, managing the audit process, audit of public procurement and audit of budget revenue.

Contact Committee meeting in Luxembourg on 27-28 November 2002

The Heads of the 15 SAIs of the European Union hold their 25th official annual meeting on 27-28 November 2002 in Luxembourg, chaired by Mr Juan Manuel Fabra Vallés, President of the European Court of Auditors. At the meeting the mandates of the following working groups were extended: Coordination of activities by the SAIs in the area of the protection of the



Bratislava workshop in September with all the participants.

Community's financial interests (Rapporteur: Corte dei Conti, Italy); Parallel audits concerning the management of the Structural Funds (Rapporteur: Bundesrechnungshof, Germany). The working group for the co-operation with SAIs from candidate countries has ended its work and the co-operation with those SAIs will be organised in the normal framework of the Liaison Officers and the contact Committee itself.

For the first time at such a meeting, the Presidents of the national Supreme Audit Institutions of the 13 Candidate Countries were also invited to participate in part of the session to discuss matters of common in-



Presidents of the SAIs of the EU and the Candidate Countries in Luxembourg in 2002.

terest. The results of the Candidate Countries' working group on "Relations between national parliaments and the SAIs" (Rapporteurs: Supreme Chamber of Control of Poland and National Audit Office of Malta), will, after being edited by SIGMA, be distributed widely, including to the European Union institutions.

Meeting of the Presidents of the SAIs of the Candidate Countries in Bucharest on 12-14 December 2002

The seventh annual meeting of the Presidents of the Supreme Audit Institutions (SAIs) of Central and Eastern Europe, Cyprus, Malta and Turkey and the European Court of Auditors took place in Bucharest on 12-14 December 2002. The official meeting was chaired jointly by Mr Dan Drosu Saguna, President of the Romanian Court of Accounts, and Mr Maarten B. Engwirda, Member of the European Court of Auditors responsible for the audit of the PHARE pre-accession funds. The heads of 15 SAIs, representatives of the European Parliament and the Commission, national and international audit organisations and the ECA met to further improve cooperation and to take joint action towards further improving audit methods and operational efficiency.

Mr Fabra Vallés, President of the ECA, said in his message to the Presidents of the SAIs of the Candidate Countries:

"One of the Union's principal requirements is for sound public administration which is capable of managing and scrutinising financial transfers from the EU budget. Together we need to ensure that the various programmes attain the desired objectives and help to improve its citizens' quality of life. This is one of the main challenges which the applicant countries will have to face.

In this connection, the Supreme Audit Institutions play an essential role:

- their reports serve as a basis for the democratic scrutiny of public expenditure by Parliaments; they help to legitimise the use of public funds;
- their audit work ensures that funds are used in accordance with the applicable rules and regulations;



Sir John Bourn, NAO, Mr Wolfgang Wicklicky, INTOSAI, Mr Maarten B. Engwirda, Member of the European Court of Auditors Mr Dan Drosu Saguna, President of the Romanian Court of Accounts, Mr Petre Popeanga, Vice-President of the Romanian Court of Accounts, Mr Mr Sergey V. Stepashin, President of EUROSAI, Mr Bjarne Mørk-Eidem, INTOSAI Development Initiative.

- their observations and recommendations help managers to improve their performance and to ensure that the principles of sound financial management are observed."

Opening speeches were also given by Mr Şaguna, Mr Năstase, Prime Minister of Romania, a message from Dr. Michael Schreyer, Member of the European Commission, Mr Herbert Bösch, Vice-Chairman of the Budgetary Control Committee of the European Parliament, a message from Dr Franz Fiedler, Secretary General of INTOSAI and by Mr Sergey V. Stepashin, President of EUROSAI.

The Heads of the SAIs agreed to continue working on "Audit Manuals", in particular, with the implementation of the workshops and the publication of the newsletter. The working group on "Audit activities" (Rapporteur: State Audit Office of Hungary) concluded its work and will seek new forms and areas of cooperation between the extended Contact Committee, the ECA and the remaining Candidate Countries.

The next meeting of the Heads of the SAIs will be in Spring 2004 in Latvia.

For the official resolutions adopted by the meeting, consult the ECA's website at

http://www.eca.eu.int/EN/COMPRESS/VISITESOFF/2002/bucharest_121202_resol1.htm

http://www.eca.eu.int/EN/COMPRESS/VISITESOFF/2002/bucharest_121202_resol2.htm .



25 years of the European Court of Auditors

The European Court of Auditors celebrated its 25 years of existence with an official ceremony in Luxembourg on 27 November 2002 together with the Presidents of the European SAIs, representatives of the European institutions, Luxembourg public and private sector and the diplomatic service.

Mrs Diemut R. Theato, Chairwoman of the Committee on Budgetary Control of the European Parliament, pointed out in her speech that the European Union is facing increasing criticism of the management and control of Community expenditure, and that the institutions must address this situation together. Irregularities and fraudulent practices harming the EU budget must be detected as quickly as possible and recoveries made. She welcomed the intensified cooperation between the national SAIs and the ECA, and made the case for new means for fighting cross-border criminality, which is harming the EU budget, in the form of a European Prosecutor.



Mr Fabra Vallés addresses the ECA's guests. Mrs Theato and Mrs Schreyer at the podium.



President Juan Manuel Fabra Vallés evoked in his speech the immediate challenges facing the Court at the eve of the enlarged European Union: enlargement will necessitate a review of the Court's own operational procedures and major efforts will be made to fully understand the structures and processes in the new Member States, as well as to evaluate implementation of the *acquis communautaire*. Mr Fabra Vallés emphasised the importance of intensifying collaboration with the Court's partners in the Supreme Audit Institutions and the Commission's internal audit bodies as accession will inevitably increase the volume and complexity of Community expenditure. The Court can only operate in the most effective way through seeking closer ties with its partners in order to create synergies aimed at both avoiding duplication of effort and shortcomings in the audit of Community funds.



Chamber of Accounts of the Republic of Azerbaijan - Information on the SAI of the Republic of Azerbaijan

The fundamental changes that have occurred in the social and economic structure of Azerbaijan and in its management methods in the last ten years of the 20th century have of necessity meant a thorough updating of the system of financial control for the country.

The initial transition period from the system of command regulating practically all spheres of economic activities and the organization of the state financial control appropriate to that system failed to provide an answer to changed public needs and social and economic realities. The result was certain negative consequences. Sanctions and other levers of financial control created as preconditions to the transformation of the systems became debased into instruments of corruption and, as a consequence, interfered with the development of business activity.

The creation and development in the Republic of new economic relations demanded changes in the principles, approaches and procedures of State control, and its new organizational and legislative regulation.

The need to reduce financial control in the country in order to meet the conditions of a market economy meant that control over State budget revenues and efficiency of expenditure of budgetary funds became inevitable.

Thus, economic transformations in the country have led to the creation of an essentially new system based on uniform principles and a complete system of financial control, which, starting from the creation of a State structure, is assumed to have organizational and functional independence, and is accountable to the legislating body.

Independent of the managers of State financial resources and responsible only to law and society, the external state financial control should carry out the functions of main guarantor of observance of financial legislation and discipline and, above all

else, ensure the creation and effective utilization of budgetary funds and other extra-budgetary public funds.

All this has objectively resulted in the need to create the Chamber of Accounts which is carrying out this activity on the basis of the principles of objectivity, publicity, reliability and legality. Its legal status as the supreme body of the state financial-budgetary control derives from the Basic Act / Constitution of the Republic of Azerbaijan.

The creation of the Chamber of Accounts by the Parliament (Milli Majlis) of the Republic of Azerbaijan is stipulated in article 92 of the Constitution of the Republic of Azerbaijan. The Chamber of Accounts Act of the Republic of Azerbaijan was passed by the Parliament of the Republic of Azerbaijan on July 2, 1999. By virtue of the Act, the Chamber of Accounts started its activity from the date of appointments for the offices of chairman, deputy chairman and no less than four out of a total of seven auditors.

The Chairman of the Chamber of Accounts was appointed by the Parliament of the Republic of Azerbaijan in June 2001, after which work began on the organization of its activity.

Suggestions were drawn up on modifications and additions to the Chamber of Accounts Act, providing for an expansion of the fields of control and powers of the Chamber over extra-budgetary State funds, management, the ordering and privatization of State property, an increase in the level of material maintenance of members and employees of the Chamber of Accounts, and guarantees of legal status for members of the Chamber.

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These suggestions were accepted by the Parliament of the Republic of Azerbaijan in December 2001. The deputy chairman and four auditors of the Chamber of Accounts were simultaneously appointed, which meant that meetings could be held and joint decisions of the Chamber of Accounts could be accepted.

According to the Chamber of Accounts Act, one of the legal foundations for the functioning of the Chamber is its Internal Charter, which forms the basis for organizing and regulating its activity. In March 2002 the Internal Charter of the Chamber of Accounts, drawn up by the Chamber itself, was approved by Parliament and now has force of Law.

The present structure of the Chamber of Accounts of the Republic of Azerbaijan (see appendix) has a transitory nature and is designed for the period in which the Chamber takes on the role of supreme state body for financial control. In 2003 the new structure of the Chamber of Accounts of the Republic of Azerbaijan, appropriate to its role in budgetary processes and to growing requirements in terms of the quality of activity, will be approved.

The Chamber of Accounts Act has established that the Chamber shall carry out the following functions:

- to give its opinion on draft State budgets and on drafts for extra-budgetary State funds (institutions);
- to supervise the volume, structure and execution in due time and manner of revenue and expenditure items of the State budget and of extra-budgetary State funds (institutions);
- to give its opinion on the annual State budget execution report and the appropriate draft bills;
- to analyse whether budgetary financing is being carried out as provided for by the approved State budget; and to prepare proposals and submit them to Parliament with regard to the elimination of deviations that have been discovered and improvements to the budgetary process in general;
- to inform Parliament every quarter on the execution of the State budget revenues and expenditures;

- to supervise the management of State property, the issuing of orders regarding that property, and the inflow to the State budget of funds generated from the privatization of State property;

- when so instructed by Parliament and its standing committees, to produce expert financial assessments of draft bills concerning the State budget and extra-budgetary State funds (institutions), as well as of international agreements approved by Parliament;

- to analyse and inform Parliament on whether the State budget funds are being entered into the treasury account and utilized in conformity with the targets established in the approved State budget;

- to obtain and analyse information from the National Bank and other authorized credit institutions on the flow of finances of the State budget and those of extra-budgetary funds (institutions) in bank accounts, and to make proposals to the Parliament in this regard;

- to inform Parliament on violations of laws that have been discovered as a result of supervisory measures taken;

- to work in close contact with other State supervisory bodies.

Thus, the scope of powers of the Chamber of Accounts provides control over the approval and execution of the State budget, the management of State property and the issuing of orders with respect to that property, the inflow of funds into the State budget generated from privatization of state property, and the purposeful use of funds to be allocated from the State budget for legal entities and municipalities.

On the basis of the targets that have been set and the problems that have been discovered, the Chamber of Accounts, which virtually began its activity in the current year of 2002, has directed its activity towards the following fields:

- support activity for regulations, methods and information;
- financial-budgetary control and expert-analytical activity;
- the establishment of international (external) communications.

Financial-budgetary control and the conducting of expert-analytical tasks are

According to the Chamber of Accounts Act, one of the legal foundations for the functioning of the Chamber is its Internal Charter, which forms the basis for organizing and regulating its activity.



the basic kinds of activity of the Chamber of Accounts, which duly provide a qualitative performance of its functions. The carrying out of its functions has first of all demanded a serious methodological overhaul of the mechanisms (methods and means) of the organization and the undertaking of tasks. In accordance with its Internal Charter based on the legislation of the Republic of Azerbaijan, in accordance with the requirements of standards of the supreme audit body INTOSAI and with the experience of the supreme state bodies of financial control from other countries, the following basic normative and methodological documents were prepared by the Chamber of Accounts:

- basic information forms presented to the Chamber of Accounts by the state bodies and legal persons, the order of their being filled in and presented;
- regulations on the ordering of audits conducted by the Chamber of Accounts;
- the order of drawing up and statement of conclusions, suggestions, information and reports in terms of results of the State financial-budgetary control, carried out by the Chamber of Accounts;
- temporary order concerning structure, contents, preparations, considerations and statements of conclusion of the Chamber of Accounts on the draft bill for next year's State budget;
- the programme of analytical works on the examination of the validity of projects of the State budget and extra-budgetary State funds, presence and condition of the normative and methodical base of their formation;
- the order of involving representatives of State authorities, audit organizations, independent auditors, experts and outside experts for actions in order to carry out the functions of the Chamber of Accounts;
- the order of considering inquiries, suggestions and instructions made to the Chamber of Accounts by the supreme bodies of government of the Republic of Azerbaijan;
- the order of considering complaints, references and information passed on to the Chamber of Accounts by corporate bodies and private individuals.

A number of other normative and methodological documents were authorized at the decision of the meeting of members of the Board of the Chamber of Accounts.

On the basis of information received in the authorized forms, and also reports and data reaching it in inquiries from the appropriate executive of various bodies, the initial information database of the Chamber of Accounts was formed and expert-analytical works were carried out with quarterly accounts being prepared on the performance of the State budget in the current year which were then submitted to the Milli Mejlis (Parliament).

The new Budgetary System Act of the Republic of Azerbaijan will come into force on January 1, 2003. For the first time in legislation directly regulating the budgetary system and process, this Act confirms the control functions of the Chamber of Accounts regarding the performance of the State budget, the conducting of audits on State budget revenues and expenditures, the way in which the conclusions of reports on the performance of the State budget are to be distributed and the appropriate bills including changes in the authorized State budget. The drafting of this Act in Parliament also took into account suggestions made by the Chamber of Accounts for improving the budgetary process. The Chamber of Accounts also submitted suggestions for developing the Budgetary Code of the Republic of Azerbaijan in 2003 and for applying a new budgetary classification of State budget revenues and expenditure.

In October of this year, Parliament provided the Chamber of Accounts with a draft of the State budget, ideas on the economic and social development of the Republic of Azerbaijan for 2003 and predicted parameters, along with a number of other documents related to them. Following the appropriate analysis, for the first time a Conclusion on the Bill on the "State budget of the Republic of Azerbaijan for the year 2003" has been drawn up, authorized by the Board of the Chamber of Accounts and sent to Parliament. This Conclusion and the report of the Chairman of the Chamber of Accounts, Mr. N. Nasrullayev, were positively regarded in the Parliament of the Azerbaijan Republic and received a good press. The appropriate

Financial-budgetary control and the conducting of expert-analytical tasks are the basic kinds of activity of the Chamber of Accounts.

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The drafting of this Act in Parliament also took into account suggestions made by the Chamber of Accounts for improving the budgetary process.



enforcement authorities have paid considerable attention to the first results of the activity of the Chamber of Accounts.

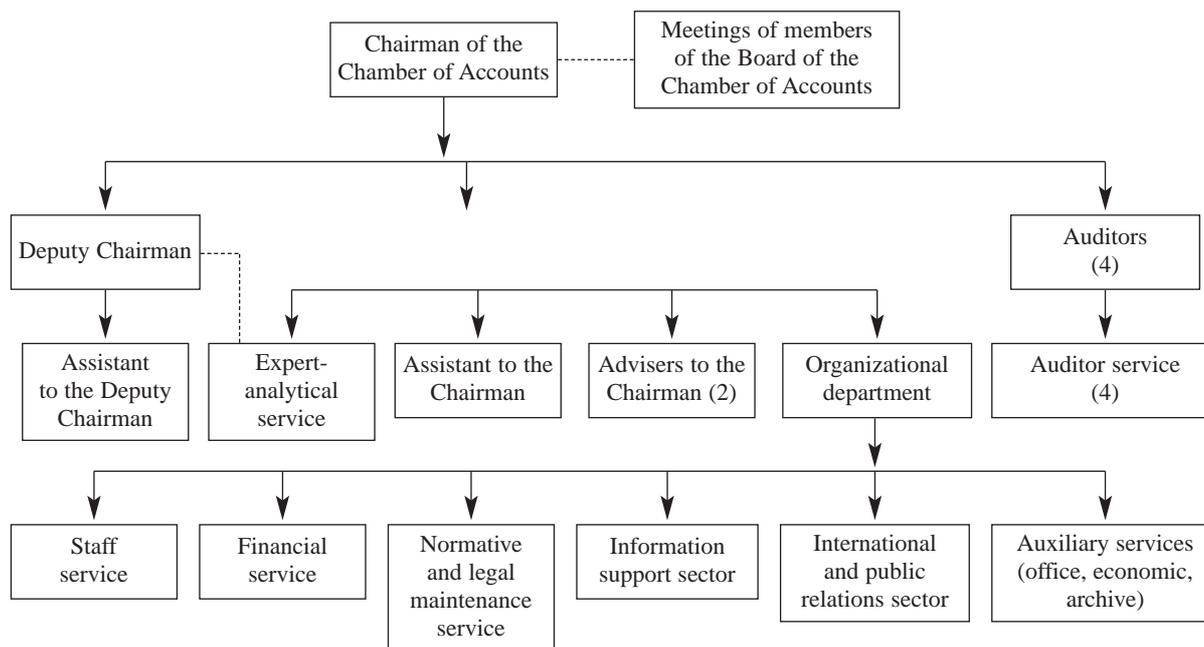
During the year 2002, members of the Chamber of Accounts were regularly invited to participate in sessions of the functional commissions of the Parliament of the Republic of Azerbaijan, where bills and documents on budgets, tax, customs, tariff and insurance questions were discussed, and international contracts were considered and ratified by Parliament.

The external connections of the Chamber of Accounts of the Republic of Azerbaijan, and its direct multilateral and bilateral relations, have been dynamically developed as a result of its involvement in international activities. In April of this year we became members of the International body (INTOSAI) and the European body (EUROSAI) of the organizations of

supreme control bodies. In May we joined the Asian organization (ASOSAI), and in June the supreme control body of countries as a member of the Economic Cooperation Organization (ECOSAI), and we now form part of the Council of heads of the supreme bodies of financial control of participant States in the Commonwealth of Independent States. The Chamber of Accounts of the Republic of Azerbaijan constantly participates in congresses and sessions held by those organizations, and it sends representatives to symposiums and seminars organized by them. It should be noted that before the creation of the Chamber of Accounts, the Azerbaijan Republic was represented in the various international organizations by the Chamber of Auditors.

The Chamber of Accounts of the Republic of Azerbaijan seeks to promote further versatile contacts and joint activity.

Acting structure of the Chamber of Accounts of the Republic of Azerbaijan
Appendix



Good governance and the role of the SAIs¹

ALFREDO JOSÉ DE SOUSA

President and Councillor of the Court of Audit of Portugal



The State, endowed with the power of *jus imperii*, imposes on citizens that they contribute to collective needs, by virtue of which the latter are divested of part of their income or wealth in the name of the needs of all. Citizens thus have a duty towards society, that of contributing to satisfying the needs of the entire community, basically by means of paying taxes. Consequently, they must have guarantees that the funds withheld from them in an imperative manner are indeed destined to meeting collective needs and that they are properly administrated. The SAIs have the competencies for ensuring that this is so.

1. Introduction

The SAIs constitute a cornerstone in the functioning of any democracy.

It corresponds to the State to carry out a more or less broad series of tasks for satisfying collective needs, and this entails costs which have to be funded with revenues.

The State, endowed with the power of *jus imperii*, imposes on citizens that they contribute to collective needs, by virtue of which the latter are divested of part of their income or wealth in the name of the needs of all.

Citizens thus have a duty towards society, that of contributing to satisfying the needs of the entire community, basically by means of paying taxes.

Consequently, they must have guarantees that the funds withheld from them in an imperative manner are indeed destined to meeting collective needs and that they are properly administrated. The SAIs have the competencies for ensuring that this is so.

In this way, the SAIs have a function of information and guarantee of the rights and expectations of citizens as far as the administration of public funds is concerned.

Nevertheless, it corresponds to Parliament, as the representative organ or all citizens, to carry out political control over the management of public assets.

It is clear that Parliament and the SAIs have to maintain close relations in order to comply with their missions. And we are talking about missions, in the plural, in order to differentiate the duties of one body and the other, since any organisation of the State, like each civil servant, in fact constitutes an element at the service of a common mission: that of serving the people who, when all is said and done, are the ones who hold the constituent power.

There does not exist any true democracy without effective control of governmental action at all levels.

2. Current context

In Portugal, as in the other countries of Monetary Union, the control of public spending has become a priority in recent years.

The merging of the states of the European Community into Monetary Union and the subsequent adoption of the single currency led to the signing of the *stability and growth pact* for guaranteeing equilibrium of the euro.

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¹ Text presented in the first General Assembly of the Organisation of SAIs of the Community of Portuguese Speaking Countries (CPLP) held in Luanda in November 2002, and written in collaboration with the *Research and Planning Department*.



With the aim of complying with the requirements of that pact, member States have had to and still have to adopt measures aimed at wiping out the budgetary deficit until equilibrium is achieved in 2004, under penalty of severe sanctions.

In general, all States in the euro zone have turned to and are turning to instruments of budgetary and financial engineering, such as *projects finance or leasing*, for multi-annual investment projects which, with traditional global budgets, would be impossible to carry out.

In the same way, the creation of public bodies governed by private law has spread, as has the use of palliatives such as the partial apportionment of expenses in the Budget.

Good governance is the object of growing attention on the part of the Portuguese authorities and it also constitutes one of the priorities on the agenda of the European Union.

Governance designs the set of rules, procedures and practices concerning the quality of the exercise of power, especially with regard to responsibility, transparency, coherence, efficiency and efficacy².

Good governance implies a transparent and responsible management of human, natural, economic and financial resources, and it has the aim of achieving a balanced development. Here, the SAIs take on an essential and irreplaceable role.

3. The Portuguese Court of Audit and control of financial management

Article 1 of Court of Audit Organisation and Procedure Act (LOPTC) sets down that “the Court of Audit audits the legality and correctness of public revenues and spending, it evaluates financial management and resolves matters concerning responsibilities for financial infringements”.

The evaluation of financial management, and not just of legal formality, nevertheless cannot be confused with a simple value judgement on the political option chosen by whoever is responsible for public spending.

Such a political option, in other words the objectives selected by the political authority, cannot nor must not be the object of investigation in audits conducted by the Court of Audit.

Only the financial means used and the results attained will be submitted to the action of the Court of Audit, and this will be done from an independent technical viewpoint of an analysis of the economics, of the efficiency and of the efficacy.

The efficacy of the contribution of the Court of Audit to good governance will nevertheless depend on the establishment of close relations with the internal control organs, Parliament and the citizens.

3.1. Relations with the internal control organs

Internal control is competent for supervising, accompanying and evaluating the management. It provides managers with the information that will permit them to correct deficiencies, avoid mistakes in the future and improve the management processes. In this way, an improvement in the results is facilitated as far as economics, efficiency and efficacy are concerned.

Control by the SAIs must therefore have a repercussion on the internal control system or systems of the public administration, especially on its adaptation and reliability, helping those internal control system to play an efficient role in the actual national systems of financial control.

In Portugal, the Court of Audit is competent for evaluating the organisation, functioning and reliability of internal control systems. It falls to its President to provide the driving force for the actions needed for the exchange and coordination of criteria and efforts among all bodies in charge of financial control.

3.2. Relations with Parliament

The contribution of SAIs to good governance necessarily involves Parliament, and this is so in all States.

Governance designs the set of rules, procedures and practices concerning the quality of the exercise of power, especially with regard to responsibility, transparency, coherence, efficiency and efficacy.

The evaluation of financial management, and not just of legal formality, nevertheless cannot be confused with a simple value judgement on the political option chosen by whoever is responsible for public spending.



² Cf., quote from COMMISSION OF THE EUROPEAN COMMUNITIES, *European governance: a White Paper*, Brussels, 2001, p. 5, note 1.

It is Parliament which, when authorising tax gathering and public spending each year, performs the fundamental task of supervising and evaluating the way in which the government's financial activity is conducted, primarily in matters of public spending.

This is imposed by its function of representing citizens, on whose behalf it approves the State budgets each year and later on evaluates the State General Accounts.

The importance of the SAIs is fundamental here. In the case of Portugal, the observations and recommendations of the Court of Audit, which are included both in the audit reports and in the opinion on the State General Accounts (hereinafter, the CGE), only have efficacy if Parliament passes them.

The evaluation of the CGE by Parliament takes on special importance here.

In accordance with article 162 of the Constitution of the Portuguese Republic, it falls to Parliament, as the organ of representation of all Portuguese citizens, *to safeguard respect for the Constitution and to exercise political control* on the action of the government and the administration.

Nevertheless, Parliament, which is a legislative and political organ, lacks the technical preparation that is indispensable for carrying out rigorous and effective control over the budgetary execution.

It therefore corresponds to an independent and technically prepared institution – the Court of Audit – to cooperate with Parliament, assisting it in its just compliance with its mission of political control.

In this context, the *Opinion on the CGE* takes on special importance.

Via this *Opinion* the Court issues a judgement on the legality and correctness of the operations examined in the financial plane. It can issue its opinion on the economy, the efficiency and efficacy of the management, as well as on the reliability of the respective internal control systems³.

The Court can also draw up recommendations intended for Parliament or for the government for improving public fi-

ancial management⁴. When facts are uncovered constituting financial responsibility, it corresponds to Parliament to decide whether the *Opinion* should be sent to the Department of the Public Prosecutor so that possible legal proceedings can be instigated for assigning responsibilities⁵.

As we have already pointed out, Parliament habitually focuses its attention on debating and approving the State budget, and ignores the evaluation of the CGE, which, faced the reality of today, is manifestly inappropriate.

This reality in fact fundamentally leads to a lack of transparency in the budgetary procedure, which is becoming more and more dominated by the executive. Such a situation is due both to the lack of credibility generated by the uncertainties inherent to economic forecasts and to the lack of accuracy of the Draft Budget due to not including expenses in their entirety.

Consequently, Parliament ought to focus itself less on the debate on the State Budget and delve more into the control and evaluation of the budgetary execution, analysing and evaluating the results of applying budgetary policies.

The contribution of SAIs to good governance thus necessarily involves the action of Parliament, so that its observations and recommendations can take effect.

As is done in Portugal, SAIs can also contribute to good governance via the drawing up of opinions on draft legislation in the economic field, when so requested by the government or parliament.

3.3. Relations with citizens

SAIs also play an important role in instructing and informing citizens: one that is not to be disdained.

Citizens have to be informed of how public funds have been used during the fiscal year under consideration.

It is of prime importance that citizens have the information that would permit them to exercise control over the activity of the State – social control, diffuse con-

The contribution of SAIs to good governance necessarily involves Parliament, and this is so in all States.

Citizens have to be informed of how public funds have been used during the fiscal year under consideration.



³ Cf. art. 41, paragraph 2, LOPTC.

⁴ Cf. art. 41, paragraph 3, LOPTC.

⁵ Cf. art. 5, paragraphs 3, 57 and 58, LOPTC.

trol or political control in the broad sense – which is fundamentally carried out by means of exercising the right to vote.

In fact, it is only if they have accessible, sufficient and credible information that elector citizens will be able to vote freely. Otherwise, this freedom will be merely formal.

In the relation of SAIs with the citizens, the role of social communication bodies cannot be disdained.

It is fundamental for SAIs to establish solid relations of mutual respect with social communication bodies, which will facilitate the carrying out of informative and instructive actions orientated towards citizens.

Such relations have to be regarded as natural in a democracy. Concealing information from citizens on the way in which their money is administrated would be an aberration in a democratic system.

4. Observations of INTOSAI on the role of SAIs in improving governance

In the XVI INCOSAI, held in Uruguay in 1998, delegates shared the opinion that SAIs played an important role in improving the financial management of governments.

During this event, reports were presented from the Standing Committees of INTOSAI and Working Groups on 'the improvement of *governance* via the work of the SAIs'.

The analysis of the different reports led to debates on various aspects of the activity of SAIs, which were materialised in the following topics:

- The institutional role of SAIs in the public sector;
- The standards and values of auditors;
- The definition of quality standards in auditing;
- The implementation of standards, methods and techniques.

In terms of the first point, delegates were of the opinion that, by stimulating a rigorous financial management, as well as transparency and responsibility in the public sector, SAIs contribute to the proper functioning of that sector and the democra-

tic process. The action of SAIs also fosters a greater degree of protection against the different forms of fraud and corruption.

The work undertaken by SAIs also tends to provide an impulse to awareness on ethical standards in the public administration.

Moreover, it was acknowledged that SAIs can only perform an effective role in improving *good governance* if they are independent and have sufficient mandates and means.

In terms of the standards and values of auditors, delegates stated that they were convinced that professional conduct of auditors in the public sector implies a behaviour that accords with high ethical standards constituting an example for the public sector as a whole.

In this respect, SAIs discussed the application of the Code of Ethics containing the basic ethical concepts shared by all countries and which clarifies what SAIs consider to be elements of integrity and ethical conduct.

In terms of the quality standards of auditing, this should keep step with the changes and events taking place in SAIs, and be updated in order to preserve their unity and quality.

Delegates believed that certain high standards of quality constitute important tools in the fight against fraud and corruption.

Finally, the strategies of implementing standards, methods and techniques were debated, with emphasis being placed on the practical use of the results (*outputs*) reached by the Standing Committees and Working Groups.

As far as this subject was concerned, the following were considered necessary: the publication of standards and guidelines, the compilation and active distribution of information, the conducting of studies on technical and methodological aspects, etc.

5. Conclusions and recommendations

The contribution of SAIs to good governance is in fact developed throughout the entire extent of their missions and at all levels of their action.

In the XVI INCOSAI, held in Uruguay in 1998, delegates shared the opinion that SAIs played an important role in improving the financial management of governments.



This contribution entails the conducting and dissemination of technical studies, and the start-up of efficient control actions, especially by means of carrying out audits of various kinds, the results of which permit educational, training, consulting and informative actions to be developed, as well as the assigning of financial responsibilities in those cases in which SAIs have a mandate for that purpose.

This role may only be undertaken efficiently on the basis of proper technical knowledge, the guarantee of independence of SAIs and by working in close collaboration with the other organs of control – internal, political and social.

So, in order to make a significant contribution to good governance of their respective countries, it is desirable for SAIs:

- To exercise control over good financial management, beyond controlling the legality and correctness of public revenues and spending;
- To promote close collaboration with the different control organs already present in society;

- To maintain particularly close relations with Parliament, especially by means of creating a committee within this body, or at least a specialised subcommittee, which would meet regularly with the SAI of the corresponding country in order to carry out monitoring of the execution of the budget and ensure that the recommendations and observations of this outside control organ are passed on;

- In all cases to keep their independence intact;

- To adopt within their organisation the best management practices as well as a high ethical standard, in such a way that would serve as an example to the entire public sector;

- To conduct and disseminate studies on financial matters and to collaborate actively in the drawing up of draft legislation in economic matters, to the degree that the legal structure of the country permits this;

- To try to convince respective governments and parliaments of the advantages of the inter-institutional exchange of information for the sake of good governance.

The contribution of SAIs to good governance is in fact developed throughout the entire extent of their missions and at all levels of their action.



Paper from the Accounting Chamber of Ukraine on the preparation of draft State budgets

V.K. SIMONENKO

President of the Accounting Chamber of Ukraine

The Accounting Chamber of Ukraine is the only independent constitutional body with the authority for auditing the State accounts. It was created by Parliament, to which it is obliged to report on its activities. This obligation to a large degree determines the functions of the Chamber, compelling it to control all the stages of the budgetary process as set down in law. These control activities basically constitute a guarantee that between the Government on the one hand and Parliament and citizens on the other a communication is established in both directions.

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The content of the budgetary process in Ukraine is determined by the State and budgetary structure of our country and by the budgetary rights of various bodies of executive and representative power.

In accordance with the Constitution of Ukraine, the State budget must be approved by the Supreme Rada for the period between 1st January and 31st December of the following year or for other periods in special cases.

The procedure for preparing the budget is described in a basic law defining the legal framework of the budgetary process. This basic law is known as the Ukraine Budgetary Code.

The organisation of the process of preparing the budget is the responsibility of the Cabinet of Ministers of Ukraine. This body submits the draft budget to the approval of the Supreme Rada of Ukraine

on an annual basis, prior to 15th September of the preceding year.

Nevertheless, before submitting the draft budget to the approval of the Rada, the Cabinet of Ministers has to draw up the draft of the Main Guidelines of the budgetary policy for the following year, which the Supreme Rada of Ukraine analyses in its parliamentary session prior to June. Simultaneously, the National Bank of Ukraine provides the Supreme Rada with the draft monetary and credit policy for the same period.

As provided by the Budgetary Code of Ukraine, the preparation of budgets for the State Budget Act for the following year starts with a study of the Government Report on compliance with the previous year's budget. This Report has to be delivered by the Government to the Supreme Rada and to the Accounting Chamber of Ukraine prior to 1st May of the year following that considered in the Report.

Within two weeks following the date of the official presentation of the Annual Report by the Cabinet of Ministers of Ukraine, the Accounting Chamber of Ukraine draws up its Opinion on this Report and sends it to the Supreme Rada. This Opinion constitutes an independent valuation of compliance with the main parameters and requisites of the State Budget Act.

In a full meeting of the Supreme Rada, the Minister of Finance presents the Re-

In a full meeting of the Supreme Rada, the Minister of Finance presents the Report from the Cabinet of Ministers on compliance with the State Budget Act.



port from the Cabinet of Ministers on compliance with the State Budget Act. The Chairman of the Budget Committee of the Supreme Rada of Ukraine and the President of the Accounting Chamber both make speeches in this meeting.

The fundamental objective of this procedure consists of evaluating the Government's actions and in preparations for studying the following document which is known as Main Guidelines of budgetary policy for the following year.

Once those Guidelines have been approved, the Supreme Rada of Ukraine must, prior to the 15th June of the preceding year, agree on a Budgetary Resolution with specific responsibilities for the Government.

During the preparation of the Budgetary Resolution, experts from the Accounting Chamber draw up opinions on certain aspects of it in accordance with instructions from the Supreme Rada and its committees.

The Budgetary Code of Ukraine and the Budgetary Resolution constitute the basis on which the Government prepares details of the future budget.

The draft budget is approved in three stages (readings). During its approval in the first reading, representatives of the Chamber must of necessity be present.

When preparing the draft bill for of the State Budget Act for its first reading, the committees of the Supreme Rada of Ukraine formulate their proposals on that draft and send it to the Budget Committee, and they also appoint the members of parliament who will be representing the Rada on the Committee that is going to be examining the draft bill.

During approval of the draft bill in its first reading, the Supreme Rada analyses the proposals of the different committees, as well as the Opinion of the Budget Committee, which contains all the proposals from members of parliament. If the author of a proposal does not agree with the opinion of the Committee and wishes to insist on his proposal, then a vote can be taken point by point. If, when drawing up the draft bill of the Budget Act for its approval in its second reading, the Cabinet of Ministers of Ukraine fails to include any of the

proposals therein, it has to justify the reason for this omission.

Up to 15th October, members of the Budget Committee of the Supreme Rada, together with the Cabinet of Ministers of Ukraine, study the proposals of members of parliament to be introduced into the draft bill of the State Budget Act, in order to then draw up conclusions and formulate coordinated proposals which have to be approved or rejected by a vote.

The Act of the Accounting Chamber of Ukraine grants to the Chamber the authority to conduct an appraisal of the draft State budget, and the Budgetary Code compels the Chamber to take part in the examination of that draft conducted by the Supreme Rada.

During the appraisal of the draft, its content is analysed and an opinion is drawn up for the Supreme Rada on the veracity of the calculations.

When analysing the draft, the Accounting Chamber compares the parameters of it with information on the social and economic state of the country in general and on certain sectors and regions in particular. Account is taken of the real state of financing of the various different ministerial units, the headings and sections of the functional classification of expenditure, budgetary revenues, internal and external borrowing, interbudgetary relations, etc. This comparison helps in the preparation of a founded conclusion, in the formulation of proposals for the draft State budget, and in the evaluation of the main parameters of the draft in the most efficient way possible.

When conducting the analysis of the budgetary process by means of a system of analytical actions and control related to the evaluation of the most important macro-economic and budgetary indicators of the State revenues and expenditure items, the Accounting Chamber does not just determine the mechanism of the formation of the structure of the country's economic power; it also discovers the real driving forces of the budgetary process in Ukraine. Experts from the Accounting Chamber draw up conclusions and clarifications on different aspects of the draft bill of the State Budget Act.

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The Act of the Accounting Chamber of Ukraine grants to the Chamber the authority to conduct an appraisal of the draft State budget, and the Budgetary Code compels the Chamber to take part in the examination of that draft conducted by the Supreme Rada.



During the second reading of this Bill, approval has to be given to the general deficit (surplus), revenues and expenditure, and the volume of interbudgetary transfers and other items that are necessary for drawing up both the local budgets and the State Budget. The Bill for the State Budget is then voted on item by item. In this stage, proposals from members of parliament are no longer analysed, and account is taken only of the opinion produced by the Budgetary Committee of the Supreme Rada.

Approval in the third reading (prior to 25th November) consists of votes on the proposals of the Budget Committee regarding the various items of the bill for the State Budget Act that were not approved in the second reading and on the bill in general. If the bill in general fails to receive approval, then a vote will be taken on each proposal of the Budget Committee.

Since the year 2001, the expenditure item of the State Budget has been drawn up by means of the method of programmes and targets, which consists of establishing a direct relation between the assignment of budgetary funds and their use on the basis of pre-set targets and indicators. The application of this method does not just demand certain actions of an organisational kind; it also requires changes in the way of thinking of the main managers of public funds.

The controls conducted by the Accounting Chamber of Ukraine show that not all the programmes are complied with to the end and that funds are very often used for purposes that were not foreseen. Ministries and departments have still not absorbed the new style of management based on the method of programmes and objectives, and orientated towards public bodies being financing depending on the specific (planned) results which they manage to achieve on the basis of the assigned funds.

When detecting cases such as those described, the Accounting Chamber reacts immediately, sending information to the

Supreme Rada of Ukraine, to the President of Ukraine, to the Government and to the appropriate Ministry. Taxpayers find out about cases of funds being diverted thanks to the information media.

Regrettably, it has to be acknowledged that the method of programmes and objectives has not yet led to a greater transparency and justification of the budget as far as the specific expenditure of public bodies is concerned, nor to a greater efficiency among managers with regard to complying with the objectives set for each year, nor to a better balance when it comes to using public funds.

We think that, once the mechanism of drawing up and complying with the budget has been adjusted on the basis of programmes, strategic planning will, in future, need to be resorted to, not just for the following year but also in the medium and long term.

As far as the preparation of the State Budget is concerned, the Accounting Chamber of Ukraine must have a real possibility of influencing the level of the indicators of the draft budget, both at the stage of its approval in the Supreme Rada, and also in the phase of its being drawn up by the Government.

Furthermore, the efficacy of budgetary action by the Accounting Chamber of Ukraine is also being diminished by the lack of powers with regard to control over the drawing up of the revenue items of the State Budget. The practical experience that has been accumulated by the Chamber demonstrates that the legal framework of its activities deserves to be improved.

At this moment, the future of the Accounting Chamber of Ukraine to a large degree lies in the hands of the legislative power. It depends on Parliament whether the Chamber continues to be confined to controlling public spending or whether it becomes a guarantee for the high quality of the entire budgetary process, in other words, having control both over compliance with the Budget and with its preparation.

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Decentralisation of State tasks; Prior conditions - Limits – Advantages

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The term “decentralisation” is understood to mean the transfer of tasks normally undertaken by the State (e.g., Ministries and other Bodies of the State Administration at the central, regional or local levels) to other independent juridical bodies (e.g., entities created for that purpose, which are majority owned – usually wholly owned – by the public sector).

1. Definition of concepts

The term “decentralisation” is understood to mean the transfer of tasks normally undertaken by the State (e.g., Ministries and other Bodies of the State Administration at the central, regional or local levels) to other independent juridical bodies (e.g., entities created for that purpose, which are majority owned – usually wholly owned – by the public sector).

It is for this reason that carrying out those tasks remains in the sphere of State influence, with the State making use of various forms of organisation, whether these be of private law (e.g., joint-stock companies) or of public law. The political responsibility for carrying out the tasks continues to fall to the public sector. Consequently, maintenance of public ownership – decentralised entities are mostly wholly publicly owned – means that they remain subject to audit by the Austrian Audit Office.

Decentralisation has to be differentiated from privatisation. In the case of privatisation, State property is sold wholly or partially to private individuals or corporate bodies forming part of the private sector. Privatisations have as their consequence the total or partial disappearance of State ownership over them.

2. General points

In Austria, since the start of the '60s and to a greater degree since the end of the '80s, particularly since 1995, there have been various attempts at decentralisation of State tasks. The essential causes are to be found in the modification of requirements with regard to the carrying out of State services. So, mention can be made of the following:

- the change in the consideration of State action (services, orientation towards the needs of citizens and market circumstances);
- the request for greater efficacy in carrying out State duties;
- the request for reform of State structures;
- the requirements demanded by Austria's participation in the European Union, in terms of consolidating public budgets;
- the Community aim to improve the functioning of the Common Market by means of reducing protectionist structures.

The decision on the State tasks which have to be decentralised – within the framework of the limits set by the Constitution and by EU Law – is, above all, political. Accompanying this decision are the expectations of a better and more economical rendering of services by the State, of a

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¹ The original draft of this article was published in the activities report for the year 2000 of the Austrian Audit Office and can also be found in [www.rechnungshof.gv.at/Berichte/Bund/Bund 2001 5/Bund 2001 5.pdf](http://www.rechnungshof.gv.at/Berichte/Bund/Bund%2001%205/Bund%2001%205.pdf). Revised for the EUROSAI Magazine : Werner Alteneichinger.

considerable reduction in the federal budget, of a decrease in official posts and of a better and simpler compliance with the Maastricht criteria (public deficit, level of borrowings).

3. Basis of the decision – Framework conditions

The decision to decentralise State tasks demands a series of framework conditions of Constitutional Law, of budgetary policy and of the Law on Competition.

• *Framework of Constitutional Law*

Decentralisations can, by their very nature, occasion a situation of tension in relation to the principles of Constitutional Law regulating the structure and competencies of the State Administration. So, for example, in accordance with the case-law of the Constitutional Tribunal of Austria, decentralisation can only be applied to certain competencies that are isolated from sovereignty. The “central sectors “ of State Administration – among them, the sectors of internal and external security (police and the armed forces) and also the exercise of sanctioning power (administrative) – cannot be transferred to private organisations or sectors. The responsibility for Constitutional Law has to continue to be held by the Higher Bodies of the State (e.g., the Attorney General).

• *Framework of budgetary policy*

In accordance with the system of European National Accounting, debts and payments of entities performing decentralised tasks may only be assigned to the public debt and, as a consequence, generate a public deficit, if the following criteria have been met:

- the legal holders have to be independent as far as their economical and financial situation is concerned,
- they have to have a system of economic accounting,
- they have to achieve coverage of at least 50% of the production costs, by means of market economy revenues. Decentralisation on its own does not imply an element forming part of budgetary

policy for complying with the convergence criteria of the audit.

• *Framework of the Law on Competition*

Provisions and regulations on competition in the European Union prohibit the adoption of measures (e.g., State aid) which could threaten competitiveness in the Common Market, or which could imply a risk of distorting it, in the sense of hindering or interfering in trade among member States of the European Union. The legal bodies carrying out decentralised tasks and which offer services and benefits aimed at obtaining profits on the market (in addition to those inherent to a mixed economy) are, by principle, subject to the Law on Competition of the European Union – with full independence of their juridical form and of their ownership structure.

In the light of Community Law, decentralisations basically have to be designed in such a way that they do not imply any abusive exploitation of the dominant position (e.g., by means of coercion in order to achieve purchase or sale prices) within the Common Market. In the case of juridical entities carrying out activities both of the mixed economy and of a profit-making nature, the prohibition on transverse subsidies of the profit-making economy sector have special relevance from the point of view of the Law on Competition.

The means for promoting the economy or expenditure coverage in the Community economy cannot give rise to competitive advantages for the profit-making economy sector.

The Audit Office has confirmed the existence of this type of problem when conducting audits of the decentralisation of the central State Administration with regard to certain competencies related to protection of the environment (e.g., studies on topics of environmental importance, advice and information on means leading to the protection of the environment).

4. Advantages and drawbacks of decentralisation

In the last few years, the Austrian Audit Office has audited numerous decentral-

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In the light of Community Law, decentralisations basically have to be designed in such a way that they do not imply any abusive exploitation of the dominant position within the Common Market.



isation projects and various decentralised juridical entities, and in doing so it has confirmed the existence of positive and negative effects.

- As advantages of decentralisation the following can be mentioned:

- a more flexible economical planning and planning of investments (e.g., in the State Security for Flights and in the Schönbrunn Palace);

- new forms of financing (e.g., the Austrian Patent Office).

- the monitoring of the principles of business economy and greater speed in decision-taking (e.g., decentralisation of certain competencies in agriculture);

- new investments and modernisation of equipment (e.g., in the Schönbrunn Palace by means of construction measures and infrastructures self-financed by the company responsible - 1993 to 1999: 51.86 million euros);

- increased transparency of costs and services (e.g., in the field of State printing houses), and

- a more flexible personnel policy (e.g., via decentralisation of certain sectors of the computer processing of data of the central State Administration).

- As negative consequences, the following can be stated:

- Almost all the decentralisations that have been carried out have, at least partially, been removed from public control. So, it can be affirmed that, in general, decentralisations go hand in hand with a limitation on the budgetary sovereignty of Parliament, since the influence of the latter is mostly limited to the founding decree of the juridical entity which has taken over the decentralised State tasks in each case. The financial actions of juridical entities are not subject to annual parliamentary action or approval, as usually occurs in the economy and in the presentation of State budgets. In the opinion of the Austrian Audit Office, the limitation of parliamentary control represents a particularly serious drawback. This is a characteristic that is intrinsic to decentralisations and, as a consequence, it cannot be counteracted; it is something which has to be accepted, even in the even of decentralisations that can be

regarded as having been carried out successfully.

- Finally, mention has to be made of the possible increase in staff and administration expenses (this was able to be confirmed in the decentralisation of the State Security for Flights). Decentralisations have in part been carried out with a loss of synergy effects and a decrease in efficiency, which has in turn led to a rise in overheads.

This occurred, for example, following the decentralisation of the Schönbrunn Zoo, where staff expenses have risen by approximately 50%; in State Security for Flights, too, it has been possible to confirm an increase in staff expenses in comparison with the period prior to decentralisation.

When conducting a review of the decentralisation of competencies in the field of railways compared to the central State Administration, it was found that average needs (including pensions and retirement expenses) of the railway system had risen from approximately 2.47 thousand million euros (1992) to an approximate total of 3.71 thousand million euros (2001).

5. Factors for success in decentralisation

In accordance with the experience of the Austrian Audit Office as a result of audits on various decentralisation projects, as well as on the basis of the conclusions presented in the year 2001 in the evaluation study commissioned by the Austrian Federal Ministry of Finance on decentralisations carried out to date in the Austrian Federal sector, the following determining factors must be pointed to if a decentralisation is to be carried out successfully:

- *Clear objectives and careful and detailed preparation*

The objectives that are sought with the decentralisation have to be clearly formulated with regard to the content, extent and periods (e.g., specification of magnitudes of measures and criteria for success), this data having to be set in a real way, respecting the framework conditions given for each specific case. In particular, objec-

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tives referring to the quality of the services that have to be provided (e.g., whether there might possibly have to be a loss of quality) need to be established, as do the availabilities of existing resources for achieving that quality. A careful and detailed preparation of the decentralisation is essential for its success, which in all cases implies having enough time for doing this.

• *Analysis of the setting*

An essential prior condition for setting the market possibilities of the services offered in any decentralisation process is to clarify the juridical, economic and framework circumstances under which the entity in charge of providing the decentralised services and benefits has to develop its activities.

• *Decentralisation is not an objective in itself*

Decentralisations must not be undertaken as an objective in themselves, since they do not automatically and in every case entail an increase in efficiency. In all events, the suppositions demand a detailed and extensive processing and analysis of the bases on which the decentralisation decision is founded.

• *Study and analysis of alternatives*

In order to take the best decision on decentralisation, it is fundamental to set out the advantages and disadvantages presented by other possible solutions.

As alternatives to decentralisation, the following must in particular be considered:

- maintenance of the status quo,
- improve the way the services are carried out in the existing system (administrative reform),
- (authentic) privatisation (e.g., sale of State holdings to companies and private individuals),
- total withdrawal by the State from providing certain services,

– outsourcing, in which the State, by means of services contracts, commissions private bidders to carry out certain activities.

• *Taking consideration of human resources*

As employees and collaborators are the fundamental bearers of knowledge, it is highly advisable to take into consideration their work availability and dedication when planning decentralisation projects. If the needs of employees are not borne in mind, then in general one can expect a negative effect on the competitiveness and capacity of services provided by decentralised juridical entities.

• *Cost-benefit analysis*

In the opinion of the Austrian Audit Office, thought should be given to carrying out decentralisations only if an improvement can as a result be expected in the attaining of previously set objectives, and always provided that the costs of the decentralisation do not outweigh the expected advantages. In the event of decentralisation of the corresponding State tasks, the future economic development ought to be preceded – in other words, this ought to be carried out prior to adopting the decentralisation decision – by a cost-benefit analysis in comparison with the existing situation without decentralisation. This analysis should taken into consideration points of view and aspects of a economic-business, economic-national, ecological and social political and juridical nature.

6. Final considerations

Summarising, it can be affirmed that decentralisations do not necessarily and in all cases lead to an improvement in efficiency; they are not a universal remedy against inefficient administrative processes, and they therefore cannot replace the carrying out of reforms that are needed within the framework of the Administration. Decentralisations are only useful and advisable if State tasks and undertakings

Decentralisations must not be undertaken as an objective in themselves.

Decentralisations are only useful and advisable if State tasks and undertakings can thereby be solved in a way that is clearly more efficient.



can thereby be solved in a way that is clearly more efficient.

The decentralisation decision must be preceded by a detailed and careful study of all the advantages and disadvantages of it.

In particular, the priority final objective must not be the mere reduction in the number of public officials in order to thereby off-load the number of jobs in the Administration.

Environmental audit in the framework of the supreme audit institutions¹

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Court of Audit of Spain

During the course of this paper, we will be recalling some necessary concepts for tackling this type of audit — useful for any auditor, independently of what his or her specialisation might be. We will also delve into its current situation in the international public sphere. And we will end with some considerations relating to the position of the public auditor faced with the practice of environmental auditing (EA) in Spain.



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Last year, on the occasion of the *XVII International Congress of Supreme Audit Institutions* (INCOSAI) held in Seoul (South Korea), the transfer of the chair of the Environmental Audit Working Group took place from the Court of Audit of the Netherlands to the Auditor General of Canada. This has meant entrusting that chair to one of the institutions that has displayed greatest sensitivity and dedication in this subject.

More recently, in July 2002, the *II Euro-American Conference of Supreme Audit Institutions* (SAIs), which was held in Cartagena de Indias (Colombia), highlighted in its conclusions the agreement that had been reached by those institutions to regard natural resources and the environment as being public goods and that it therefore fell to them to contribute to their preservation and sustainable exploitation to the benefit of the processes of economic growth. In this regard, cooperation among these institutions is fundamental for aiding the reversal of the global process of environmental deterioration².

Another of its conclusions was to consider that the international regulating framework demands that environmental audit should adopt generally accepted techniques, along with the signing of co-operation agreements among SAIs for their monitoring and evaluation, as has been occurring between the Regional Organisations of Europe (EUROSAI) and of Latin America and the Caribbean (OLACEFS).

In Spain, growing social awareness in relation to the environment, along with ever tighter regulations on this subject being carried out by the different public administrations, is leading to considerable development of the environmental sector, which entails the application of more and more resources, both public and private, and therefore the need for these to be controlled from the public and external perspective, or audited from the private perspective.

During the course of this paper, we will be recalling some necessary concepts for

¹ This paper is a consequence of an article by the same author, published in No. 24 of the journal *Auditoría Pública*, of September 2001, under the title: "El auditor público ante la auditoría medioambiental: una guía de trabajo" ("The public auditor with regard to environmental audit: a work guide") published by the Chamber of Audit of Navarra.

² Document of Conclusions and Recommendations of the *II Euro-American Conference of Supreme Audit Institutions*. Cartagena de Indias (Colombia), 10th and 11th June 2002.

tackling this type of audit — useful for any auditor, independently of what his or her specialisation might be. We will also delve into its current situation in the international public sphere. And we will end with some considerations relating to the position of the public auditor faced with the practice of environmental auditing (EA) in Spain.

Recall of certain concepts

In accordance with Regulation (CEE) 1836/93, of June 1993, on Community systems for environmental management and audit, the *environmental audit* is a management instrument consisting of a systematic, documented, periodical and objective evaluation of the efficacy of the organisation, of its management system, and of the procedures intended for protection of the environment. It has the aim of facilitating control by the management over practices that can have an effect on the environment, and of evaluating their adaptation to the environmental policy of the company.

This means that, via an EA, we can investigate the work methods and procedures of a public body, inasmuch as they are relevant for the environment, and, as a consequence of the results obtained, we merely have to draw up a report in which we note the risk areas and problem points in their environmental functioning.

Appendix II of that Regulation establishes the *requisites relating to environmental audit*, which are in turn based on International Standard ISO 10011, of 1990. Such requisites provide for the objectives, scope, organisation and resources of the audit; planning and preparation of it; activities, results, conclusions and monitoring. As will be seen, it differs not at all from a traditional audit, whether this be a regularity audit, operations audit or integrated audit.

For their part, Standards ISO 14001 and ISO 14004, of 1996, on environmental management systems, define the *environment* as part of the framework in which an organisation operates, including air, water, land, natural resources, flora, fauna, hu-

man beings, and the interrelation among those elements. For its part, the science of ecology conceives it as the framework in which the lives of living things and their interrelation are developed, considering the natural, historical, cultural and aesthetic values. From a legal viewpoint, it can be conceptualised as the set of physical, chemical and biological agents, along with social factors, liable to have an effect on living things and on human activities.

By virtue of all this, we understand that, for the purpose of its external control, the environment is something so broad that it could consider aspects relating to the physical and mental health of citizens; the use of natural resources from a viewpoint of sustainable growth and in accordance with international treaties that have been signed; compliance with the rules issued by the public powers with regard to conservation; respect for historical and cultural property, etc. In relation to this last aspect, it is worth highlighting that one of the proposals that arose from the *II Euro-American Conference*, mentioned earlier, was the following: “Given the importance for our societies of historical-cultural property as an essential part of nationality, the watching over their conservation and protection must become incorporated into the control tasks of the SAIs.”³

Another interesting concept is that of *environmental policy*. Following the standards already mentioned, and in a very similar way, the Community Regulation itself is the written document establishing the general objectives and principles of action of an organisation with regard to the environment, including compliance with all regulatory requisites corresponding to it. This policy, which will be defined by the uppermost hierarchy of the organisation, has to be suited to the nature of its activities, products and services, as well as to the environmental impact that these might cause. It also has to include an explicit commitment towards continual improvement, with special mention of prevention of pollution and compliance with the most relevant laws, treaties and regulations. Finally, it has to be developed in a framework that will permit environmental objectives to be established and reviewed, at the

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“Given the importance for our societies of historical-cultural property as an essential part of nationality, the watching over their conservation and protection must become incorporated into the control tasks of the SAIs.”

³ Proposal No. 3 of the aforementioned document.

same time as being implemented and communicated to its employees and made available to the general public. This therefore concerns a document which, by way of a commitment, has to be written and adopted by the top management of the organisation, which gives it a character that is certainly relevant.

Another concept to consider is that of the *environmental programme*, which, in accordance with the above standards, is the written document containing a description of specific activities and objectives of the organisation in order to ensure a better protection of the environment in a certain centre, with specification of the measures adopted or planned for achieving those objectives, plus the periods set for the application of those measures. In this way, the programme will be established in such a way that it will include both the designation of responsibilities for the scope of its objectives and tasks in the different levels of the organisational hierarchy, and the time-scale in which these have to be achieved.

For its part, the *environmental management system* is defined as the part of the general management system of the organisation consisting of the organisational structure, the responsibilities, practices, procedures and resources for carrying out the development, implementation and review of the environmental policy.

So, we now have the indispensable tools for managing from the environmental point of view any organisation sensitive to this field. These are therefore the elements that any environmental auditor has to be familiar with in order to conduct an EA: environmental audit requisites, and an environmental policy, programme and management system.

EA in supreme audit institutions

The Environmental Audit Working Group of the International Organisation of Supreme Audit Institutions (INTOSAI) is perhaps the body that is most committed when it comes to orientating criteria in this field from the viewpoint of those institutions. This Group, one of nine currently existing in the Organisation, started operations in 1992, as a result of the *XIV Con-*

gress held in Washington (USA) that same year. As we have already mentioned, since the end of 2001 its chair has been held by the Auditor General of Canada, its primary objectives being: to assist SAIs in order to acquire a better understanding in matters relating to this type of audit; to facilitate exchanges of information and experiences among them; and to publish guidelines, advice and information material for their use.

Since then, the Group has produced a range of working documents, and seven international encounters have been held to date. This is the most numerous Working Group in INTOSAI, consisting of 37 members from countries all over the world. One of its first measures was to standardise the different types of EA, and to establish a catalogue of subjects having direct application to this area.

In Europe, the Supreme Control Chamber of Poland is currently the coordinator of the Environmental Audit Working Group of EUROSAI, and also the organiser of the *II European Seminar on Environmental Audit*, recently held in Golawice (Poland). This institution has demonstrated that it has great experience in this field and its coordinating work will surely be highly enriching for the Working Group.

It can be said that the States most aware of monitoring their natural surroundings have spent years carrying out this kind of control via their respective SAIs. Whether this is due to cultural tradition or out of necessity, countries in the Latin American and Caribbean region, in Europe, Africa, Arabian, Asian and Pacific countries, have established the necessary means in their own courts of audit for being able to tackle this type of control more efficiently. Let us not forget that although these institutions usually exercise their functions in line with the principles of *legality, efficiency and economy*, others do the same but adding a further two principles: those of *equity* and the *environment*, which indicates that they have developed greater sensitivity with regard to this field.

Furthermore, we have got in touch with most of the SAIs making up the INTOSAI Environmental Audit Working Group. So, we were able to check their respective organisational hierarchies and

The elements that any environmental auditor has to be familiar with in order to conduct an EA: environmental audit requisites, and an environmental policy, programme and management system.

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thereby the technical and administrative structure assigned by each of them to the conducting of environmental audits. We have been surprised both by the means made available and the number of reports produced in recent years..

On account of their importance or unusualness, we can state the following:

Within our nearest sphere, the European Court of Audit has an organisational structure in which the member of the Court in charge of internal and investigating policies is the person concerned with this type of audit. In fact, in the period 1992-2001, he has produced six special reports relating to the environment.

The Court of Audit of the Netherlands is structured into three general directorates of audit. One of them is concerned with the environment, management of natural resources and fisheries, along with the management of water, urban development and agriculture. In the period 1993-2001 it conducted 33 regularity and operations audits on the environment.

The National Audit Office of the United Kingdom (NAO) is organised into area directorates, one of which is concerned with the environment and transport. In the period 1993-2001 it conducted 17 environmental audits of an operations type.

The Office of the Auditor General of Norway is structured into seven departments, of which the one concerned with operations audits conducted six EAs in the period 1996-2000. It can be highlighted that the Office of the Auditor General is the one that organised the *1 EUROSAI Seminar on Environmental Audit* in Oslo in May 2001. Its main objectives were to encourage SAIs in their efforts to strengthen and increase their initiatives in this type of control, and also to share experiences and learning among the different institutions in the European region. In that Seminar, SAIs from thirteen countries, plus that for the European Union, presented their activities programmes in environmental matters, with those from Greece and Norway standing out for their individuality.

The Supreme Control Chamber of Poland is made up of 14 operational departments for auditing and two for legal and strategic back-up. One of these opera-

tional departments is known as *Environmental Protection*, and it conducted 63 operations and regularity audits on the environment between 1993 and 2000.

The General Accounting Office (GAO) of the United States is structured in such a way that there are 14 work areas, by way of departments, coming directly under its General Council, among which are to be found that for Environment and Natural Resources. Perhaps because of this, one of the 21 objectives of the strategic plan of the GAO for the five-year period 2000-2005, already presented to Congress, is known as *Natural Resources and Protection of the Environment*. This department conducted 75 operations and regularity audits on the environment in the period 1993-2000.

For its part, what has been known since 1995 as the Office of the Auditor General of Canada and of the Commissioner for the Environment and Sustainable Development has two work areas with specific audit teams. One of these, coming under that Commissioner, is concerned exclusively with the environment and natural resources. In his declaration of intentions, the Auditor General stated that "an important part of the confidence that the People have in our democratic institutions is based on their belief that public funds and spent wisely and efficiently. This must be understood as efficient spending, within the law and managed with an environmental criterion." In the period 1993-2000, the Commissioner presented 51 reports on operations and regularity audits on the environment.

Due to being one of the candidate countries for membership of the European Union, we point to the case of the National Audit Office of Lithuania which, between 1995 and 2001, presented 18 reports on operations and regularity audits on the environment: a good calling card for its incorporation into the Community project.

In accordance with all this information, it has to be acknowledged that for some years the SAIs of all the geographical regions of the world have been carrying out a genuine environmental policy in the exercise of their control work. It can be pointed out that the ones we have mentioned, which are nothing more than just a



small sample, have applied a major part of their means and structure to the development of this work, indicating not just that they are aware bodies but also that they see this as a task that needs to be tackled with regard to the future.

The position of the public auditor regarding the practice of environmental auditing in Spain

In auditing, as in any other speciality, all areas of novel investigation usually produce a certain feeling of insecurity among those approaching it for the first time. This is natural, but at the same time it provides an opportunity for bringing oneself up to date, using new techniques and procedures for achieving the planned objectives of auditing.

As with other types of audit, legality, efficacy, efficiency and economy are criteria that can be perfectly well used in the environmental audit of a public body, inasmuch as we have to pronounce on compliance with environmental regulations, which are becoming increasingly developed; on the degree of achievement of the environmental objectives provided for in the corresponding policy and programme; on the rationality of environmental costs with respect to the objectives that are achieved; etc. So, the lack of any express environmental criterion in the regulations governing the exercise of the auditing function of a control body would not, in our opinion, prevent this technique from being used in the public sector.

Faced with the question of whether a public accounts auditor accustomed to financial control and legality can conduct this type of audit, it is worth while considering that there is no legal impediment whatsoever in Spain towards its use from the public point of view, since, once they have accredited that they possess the necessary merit for gaining access to the respective control bodies, the officials or personnel who develop it only have to follow the provisions for exercising the auditing function in the corresponding regulations. There could only be limitations of

a technical kind, though we consider that these scarcely exist since, from a broad perspective, the analysis and evaluation of compliance with the environmental legality of a public body, of compliance with its environmental objectives, of the evaluation of the internal control over environmental procedures, and of the financial-assets situation from a viewpoint of this type of costs, is something that can be taken on perfectly well by any public auditor.

On account of that stated above, we firmly abide by the integrating opinion of Ángel González Malaxechevarría, when he asserts "The [environmental] examination is part of a financial regularity audit, though with an environmentalist dimension. In other words, it is an audit of the financial statements of an organisation sensitive to environmental effects. In this circumstance, the auditor would include an examination of environmental aspects along with others normally forming part of a financial-administrative and performance audit. It is a matter of integrating the basic components of environmental interest into a modern financial-administrative audit."⁴

Finally, we would like to mention something that we are pleased to declare: the public auditor specialising in regularity, financial or performance audits, and well as in operations audits, is perfectly capable of tackling an environmental audit without any risks. The use of measurement apparatus, tables or elements, or any other instrument necessary for carrying out the work, as the case might be, will not require any more training of us than that acquired in our secondary studies. Nevertheless, if it is necessary, let us bear in mind what is stated in the document IAPS 1010 (paragraph 14) of the International Federation of Accountants: "The auditor has to be capable of identifying and obtaining an understanding of the events, transactions and practices related to the natural environment that could have a significant effect on the financial statements and on the audit. Nevertheless, this does not prevent significant circumstances being found during the audit requiring special knowledge, which

The [environmental] examination is part of a financial regularity audit, though with an environmentalist dimension.



⁴ Auditoría Ambiental: su evolución histórica y entorno político-institucional (Environmental Audit: its historical evolution and political-institutional setting). Ángel González Malaxechevarría. Spanish Institute of Internal Auditors, 1997.

will demand the intervention of an expert.⁵

Fortunately, there are now many authors who have written about environmental audits. For our part, we merely seek to draw attention to the need to promote the use of this technique in the public sector, a technique which, moreover, is becoming more and more widespread in the private sector. For this reason, we encourage the concerned authorities to promote it whenever possible. In this way, we would draw closer to an assertion made by Therese Johnsen, of the Office of the Auditor General of Norway, who stated recently: "Joining forces in order to audit the coming in force of international agreements is fruitful not just because many environmental problems cross national boundaries but also because collaboration will contribute knowledge and specialisation in this relatively new field of auditing."

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The recent Constitutional Reform in Italy and its implications in the Audit System

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Italy has recently put into practice a project for the reorganisation of the State system in autonomous matters which, on the basis of the administrative reforms of the '90s (what are known as the "Bassanini laws" after the Minister who proposed them), passes via the Constitutional Act 1/1999 (by means of which competence with regard to approval of the statutes of autonomy which used to be held by Parliament has passed to the Regional Councils), until finally arriving at the recent Constitutional Act 3/2001 of Reform of Part II, Chapter V, of the Constitution (which was the subject of a people's referendum in October 2001, and which has profoundly renovated reciprocal relations between the State, the Regions and the local autonomy bodies).

Premise

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The following article is divided into three parts, respectively dealing with:

- 1) the fundamental lines of the reform, under the profile of legislative, administrative and control authority;
- 2) the organisation of the controls currently exercised by the Italian Corte dei

conti on the Regions and autonomous bodies;

3) the degree of "resistance" opposing the existing control system with regard to the new constitutional organisation: what are the truths at this time (in a terrain that is more than mobile) and what are the omens and the specific prospects. Referring in particular to the Constitutional Act 3/2001, approved with a sudden acceleration in just four readings after having remained for months in oblivion, it can be said that it has not been possible to make a proper study of the implications at the level of legal code (and specifically its harmonisation with the norms of Part I of the Constitution and with the other Chapters of Part II that have not been amended), in such a way that the Senate Commission of Constitutional Affairs itself has subsequently conducted a fact-finding study on the effects of the revisions adopted in the code. While carrying out this investigation work, the President of the Corte dei conti, Sr. Staderini, appeared before that Commission and stated his opinion. The thesis that is set out below contains in its various points the "official" position of the Corte dei conti as results from the text of the appearance made on 31-X-2001.

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The fundamental lines of the reform

The reform replaces the State-centred system that previously existed for a new



multi-centralism based on a series of autonomies at different territorial levels but with equal institutional rank (the “Multi-central Republic of the autonomies”). In fact, the novel nature of art. 114 cancels the acceptance of *subdivision* of the Republic (identified with the State) into Regions, Provinces and Local Councils, thereby going beyond any reconstruction of the bodies in question as being limits to the decentralisation of the State. The new text explicitly states that the Republic is “formed” of Regions, Provinces, Local Councils, Metropolitan Areas and the State, which gives rise to a horizontal type of structure that organises the public powers in accordance with the principle of subsidiarity, assigning to higher levels only those powers which cannot be usefully handled by the levels closer to citizens.

The relations among the bodies making up the Republic cannot now be defined in terms of hierarchy among them (or of “guardianship”) but instead in terms of a distribution of competencies with regard to typical functions (particularly legislative and administrative) which the new text expressly redefines.

Undoubtedly included among the most important aspects is a different distribution of the legislative powers, with the elimination of the *numerus clausus* in regional affairs (new provision of art. 117). It is what is meant by the expression *to give a twist to the criterion of distribution*: where the laws previously stated matters that were the competency of the Regions, it now states matters that are the competency of the State. Included among the exclusive competence of the latter is public order and justice (matters which, in truly federal systems, would, on the contrary, be typically distributed), the safeguarding of the environment, and the determination of standards for benefits related to civil and social rights which must be guaranteed in the entire national territory. On the other hand, the legislative powers of the State and the Regions will concur (with just the determination of the fundamental principles falling to the State) in all matters related to health, protection and safety at work, scientific and technological re-

search, food, contributive and compensatory pensions, the harmonisation of public budgets and the coordination of public finances and the taxation system. The scopes of concurring legislative competence have been considerably expanded with respect to the past.

Finally, the legislative authority of the Regions will be able to be exercised in a general and residual way in all those cases in which it is not explicitly excluded. Among the fields not mentioned and which therefore correspond in a residual manner to the regional exclusive power is everything to do with industry, trade and agriculture.

Independently of whether it is exercised by the State or the Regions, exclusive authority is subject to the same limitations, in other words to “respect for the Constitution, and for the ties deriving from the EU legal code and from international obligations”. The exercise of concurrent power by the Regions acknowledges the limit of the “fundamental principles” which, as stated by the Corte costituzionale, can derive directly from the existing legislation on the matters in question without any need for framework laws, the absence of which would in fact act as a block *sine die* on the regional legislator. In the same way, in these matters the State legislator cannot “go beyond” the fundamental principles and has to abstain from defining regulations of detail.

Let us now go on to administrative authority. The first thing we see is that the principle of “parallelism” between the legislative functions and the administrative functions (by which all the administrative competencies in matters forming the object of their concurrent legislative authority used to correspond to the Regions) has disappeared, and the principle is proclaimed by which “the administrative functions are attributed to the Local Councils”, apart from those which, in order to guarantee their unitary exercise, are conferred on the Provinces, Metropolitan Areas, Regions and the State, on the basis of the principles of subsidiarity, differentiation and suitability” (new art. 118)¹. This has to be understood both with reference

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¹ The qualification has to be made that the distribution criteria are not equally valid in the entire country, not do they assign competencies once and for all. Rather, they presuppose that the roles are interchangeable among the administrations that are involved.

to matters of exclusive legislation of the State and of the Regions, and with reference to matters of concurrent legislation between the State and the Regions.

The Local Councils thus become the “administrative core” of the Republic, while the Regions would have to be characterised by the functions of programming and coordinating the local system. Finally, the State would not have to exercise local administrative functions other than exceptionally.

With respect to controls, the necessary consequence of the new organisation of the public powers, as we have been describing this so far, is, logically, the explicit repealing of the constitutional provisions (the old arts. 125 and 130 of the Const.) which used to express a hierarchical conception of relations between the State and the territorial bodies, and of these among themselves. The *a priori* control systems of legitimacy (and, in some cases, of merit) of the State over the acts of the Regions, and of the Regions over the acts of local bodies, must be therefore be regarded as lapsed forthwith, without any forwarding to regulations having subsequent application. Furthermore, at the practical level it has to be said that such forms of control had not given good results and that the most recent ordinary legislation had already been assigned to reduce them to their minimum expression.

On the other hand, a clarification has to be made of the destination of external control over the Regions and local bodies currently carried out by the Corte dei conti, which has not been the object of any repealing norm.

Let us now look at the essential forms and characteristics of that control in order to estimate which part of this can still be applied and which other forms of control we can identify.

The present organisation of controls by the Corte dei conti

The auditing functions of the Corte dei conti have their principal and direct point of reference in art. 100 of the Constitution, the location of which in Chapter III places it outside the recent constitutional reform, which only affects Chapter V. On the basis

of that constitutional article, the Corte exercises *a priori* control of legitimacy over the acts of the Government and *a posteriori* control over the execution of the State budget.

For what we are more specifically interested in here, it has to be recalled that, with Act 20/1994, a profound reform was conducted of the control functions of the Corte dei conti. On the one hand, *a priori* control was substantially reduced, with just a limited series of acts of the Government of special importance and high institutional relevance being retained; and on the other, the Corte was assigned a generalised *a posteriori* control function over public management, not just of the State but also of the Regions and other autonomous bodies. In this way, the Corte took on a central role in the auditing system, going from being the Court of “state accounts” to being the Court of “public accounts”. As far as the bodies of territorial autonomy are concerned, in 1995 the Corte costituzionale emphasised that the constitutional foundation of the control over management outlined by Act 20/1994 is not tied to the provisions contained in arts. 100, 125 and 130 (these last two have in any case now been repealed), but instead derives indirectly from the constitutional design as a whole which permeates on an equal basis the activity of all public administrations, based on the principles of the satisfactory progress of public offices (art. 97), of the responsibility of civil servants (art. 28), of the tendency towards balancing the budget (art. 81) and of the coordination of state and local public finances (art. 119).

The controls over management which the Corte has to carry out on territorial bodies is characterised by its dual nature: on the one hand, as auxiliary to the representation bodies in the exercise of their public control over the organs of government; and on the other, that of collaboration with the same administrations that are controlled since, as the Corte costituzionale points out, those controls have the aim, first of all, of promoting processes of “self-correction”, at both the level of organisational decisions and at the level of management and internal control activities. “For which”, says the Corte costituzionale itself, “its assignment to a body such as the Corte dei conti, whose activity

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is absolutely neutral with respect to the political shaping of interests is decisive". In this collaboration with the controlled bodies, the Corte dei conti, far from acting as a power of the State in opposition to regional autonomy, substantially carries out its tasks at the service of the general need of a good and healthy management of collective resources.

By virtue of the power of self-organisation granted to it by law, the Corte dei conti has reformed its presence in the country, initially creating "regional control units" (1997) together with the old "regional delegations" (bodies with a monocratic structure) and later on replacing both these with "Regional Auditing Sections", which started to function on 1-I-2001.

As well as exercising control over the decentralised administrations of the State, the Regional Sections also exercise control over the management of the regional and local administrations as this management is reflected in their balance sheets. Control over the Regions has the aim of watching over compliance with the objectives set down on the programmatic regional laws and laws of principle and is based on a comparative analysis of the different sectors (in particular, health and transport). As far as local bodies are concerned, in addition to the control carried out by the Regional Sections there is also the control exercised at the central level by the Autonomies Section, with the task of informing Parliament of the progress and the overall results of local finances (Act 51/1982).

However, although it is true that, as revealed from Act 20/1994, the control system is not affected by the recent constitutional changes, nor does it come into conflict with the appraisal of the principle of autonomy contained therein, it is also true that it lacks an explicit constitutional foundation, and because of this it is exposed to the danger that sources of a higher rank of the same Act No. 20 could prevail: the typical case concerns the regional statutes, which have the rank of reinforced source with respect to the ordinary law. In this respect, it has to be said that the Constitutional Act 1/1999 (new text of art. 123) provided the Regions with a renewed statutory power, much broader than previously, since the only limit it has is that of "harmony with the Constitution", and it is

no longer subject to prior examination by Parliament.

In the constituting phase that we are passing through, it seems reasonable to consider that there will be no lack of regional initiatives aimed at setting up local auditing bodies which would report to the regional Councils, in a similar way to neighbouring European states (for example, the draft statute of the Venice Region contains a proposal in this regard).

The prospects

Faced with this new panorama that has scarcely been sketched out, there still seems to subsist reasons of a constitutional order that are more than valid for confirming the control functions attributed to the Corte dei conti, and reasons of a practical order for maintaining the present unitary organisation of control.

From the first point of view, as this concerns an accounting office and an organ of the Republic, the Corte dei conti is by its nature called upon to facilitate the coordination of public finances provided for in the new art. 117 of the Constitution, guaranteeing the economic and financial compatibility with the limits imposed on national finances, at both the internal level and at the EU level, and therefore on the financial autonomy of the Regions and local bodies.

In terms of the new art. 119, which incorporates the principles of what is known as "solidary federalism" establishing an egalitarian fund for territories with less tax-raising capacity per inhabitant (para. 3), this postulates the need to control the application of the mechanisms of tax gathering and distribution of resources which the richer regions assign to the poorer ones, but above all, the regular and efficient employment of the resources flowing into the beneficiary regions. Obviously, this control cannot be exercised in any credible and acceptable way by a body of the region benefiting from those resources. It therefore concerns a constitutional stipulation with which not only is there no check to the attribution of control to the Corte dei conti by virtue of Act 20/1994, on the contrary, the Corte is very capable of complying with it from its independent and neutral position.

Faced with this new panorama that has scarcely been sketched out, there still seems to subsist reasons of a constitutional order that are more than valid for confirming the control functions attributed to the Corte dei conti, and reasons of a practical order for maintaining the present unitary organisation of control.



Similar considerations could be made with regard to the constitutional norm by which additional resources are destined and special actions are carried out in favour of the under-developed areas of the country (art. 119, para. 5).

These considerations solve the point about control of the “coherence of the system”, which the Corte would carry out by way of “guarantee of the economic and financial equilibrium of the entire public sector”. Nevertheless, the latter feels that it has competence for carrying out control over the execution of the budgets of the Regions and on the local bodies, with the aim of checking compliance with programmed objectives and assessing the quality of the administrative action in accordance with the parameters of efficiency, efficacy and economy that characterise the *a posteriori* control of the management.

On this point, it would not be appropriate to cite here art. 5 of the Constitution, which makes a call to the “unity” of the State, since it is evident that the same need also subsists in other federal and para-federal states in which, nevertheless, the controls are exercised by various different and autonomous local auditing bodies and not by a single Audit Office. Therefore, leaving the search for the “constitutional foundation” to one side, it is instead necessary to try to “convince” institutional intermediaries that the Corte dei conti is not a control body of the State over local autonomies, but that instead, its independence of the national government and the fact that this independence is contained in the Constitution convert it into an organ of guarantee for the autonomous system as well (organ of the Republic).

Likewise, emphasis can be placed on some strong points: the displacement of the axis of power to the regional governments to the detriment of the elective Assemblies, which increases the cognitive needs of the latter regarding the neutral evaluation of the results of the management; the tensions between the Regions and infra-regional territorial bodies, which leads the latter to preferring a unitary control organ throughout the territory rather than organs set up at the regional levels; considerations of a practical kind related to the risks of duplications and loopholes, and with the possibility of conflicts occur-

ring on the specific demarcation of control competencies between the central audit body and the regional ones.

Under this latter profile, the model in force, that of a unitary Corte dei conti, made up of Regional Sections, presents undoubted advantages compared to models characterised by a plurality of regional audit bodies different from the central one. This model favours the coordination of the respective control activities from its programming, the conducting of joint controls on the “horizontal” aspects of administrative action, the use of common criteria and techniques, and the presentation of unitary reports to the elective Assemblies and administrations, with certain standards of efficacy and efficiency determined starting from a shared national basis.

These topics are reflected in the draft of the d.d.l. on the initiative of the government and applying to the reform of Chapter V, which is currently being discussed in Parliament (in which the fundamental principles are pronounced for the concurrent State/Regions legislation, which become even more interesting inasmuch as they would prevail over the statutes in the hierarchy of sources).

Among other things, that draft defines the control function of the Corte dei conti in the new context of the autonomies. As well as providing for respect of the budgetary equilibrium on the part of Local Councils, Provinces, Metropolitan Areas and Regions, also in relation to links deriving from belonging to the European Union, the draft also sets down that the Regional Sections of the Audit Office will, in accordance with the principles of *a posteriori* control of management, verify that the objectives provided for in the programmatic regional laws and laws of principle are being sought, as is a sound financial management of the local autonomies.

Right now, this proposal constitutes a field of discussion between the government and the territorial bodies, suspended between the appraisal of the principle of autonomy and the need for coordination. Nevertheless, given that it falls to Parliament to pronounce finally on this matter, it is appropriate to end this discussion at this point, confining ourselves to affirming the urgency with which the current uncertainties need to be settled.

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