EUROSAI magazine is published annually on behalf of EUROSAI (European Organisation of Supreme Audit Institutions) by the EUROSAI Secretariat.

The magazine is dedicated to the advancement of public auditing procedures and techniques as well as to providing information on EUROSAI activities.

The editors invite submissions of articles, reports and news items which should be sent to the editorial offices at TRIBUNAL DE CUENTAS, EUROSAI Secretariat, Fuencarral 81, 28004-Madrid, SPAIN.

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The magazine is distributed to the Heads of all the Supreme Audit Institutions throughout Europe who participate in the work of EUROSAI.

EUROSAI magazine is edited and supervised by Ramón Álvarez de Miranda, EUROSAI Secretary General; Karen Ortiz Finnemore, Director of the EUROSAI Secretariat; Fernando Rodríguez del Portillo, Jerónimo Hernández and Teresa García García. Designed, produced and printed by Moonbook, S.L. EUROSAI magazine is printed on environmentally-friendly, chlorine-free (EFC) 115 gsm coated art paper (Satimat), which is bio-degradable and can be recycled.

Printed in Spain.

The articles and contributions of this Magazine are under the exclusive responsibility of their authors. The opinions and beliefs are those of the contributors and do not necessarily reflect the views or policies of the Organization.
ACRONYMS

AFROS AI  African Organisation of Supreme Audit Institutions
ARABOSAI Arab Organisation of Supreme Audit Institutions
ASOSAI Asian Organisation of Supreme Audit Institutions
CAROSAI Caribbean Organisation of Supreme Audit Institutions
CBC  INTOSAI Capacity Building Committee
CIS  Commonwealth of Independent States
ECIIA  European Confederation of Institutes of Internal Auditors
EFR  EUROSAI Financial Rules
EMU  Economic and Monetary Union
ESP  EUROSAI Strategic Plan
EU  European Union
EUROSAI  European Organisation of Supreme Audit Institutions
GAO  US Government Accountability Office
GT  Goal Team
IATI  International Aid Transparency Initiative
IDI  INTOSAI Development Iniciative
IFAF  Integrated Financial Accountability Framework
INCOSAI  Congress of INTOSAI
INTOSAI GOV  INTOSAI Guidance for Good Governance
INTOSAI  International Organisation of Supreme Audit Institutions
ISQC  Quality Control for SAI s
ISSAIS  International Standards of Supreme Audit Institutions
ITWG  Information Technologies Working Group
LTRTP  Long-term Regional Training Program
OLACEFS  Organisation of Latin American and Caribbean Supreme Audit Institutions
OP  Operational Plan
PASAI  Pacific Association of Supreme Audit Institutions
PSC  INTOSAI Professional Standards Committee
SAI  Supreme Audit Institution
TG  Task Groups
TFA&E  Task Force Audit & Ethics
UN  United Nations
WGAADA  INTOSAI Working Group on Accountability for and the Audit of Disaster-related Aid
WGEA  Working Group of Environmental Auditing
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INTOSAI Development Initiative (IDI)
Dear Colleagues,

We are coming to the end of the mandate established by the VIII EUROSAI Congress, which marked the beginning of a new era for EUROSAI. During these recent years we have been carrying out a wide range of actions to promote the implementation of the 2011-2017 Strategic Plan adopted by the VIII EUROSAI Congress and we are now very close to its mid-term evaluation, through which we’ll be able to perceive and assess the first sprouts of the Strategic Plan.

As always, the EUROSAI Secretariat has been keen to support the work of the Goal Teams in the execution of the Strategic Plan. In this regard, I would like to emphasize a number of achievements such as the launching of the new website of our Organization or the adoption of the EUROSAI Financial Rules. The development of the new EUROSAI website has been a perfect example of the cooperative spirit that inspires EUROSAI, through the sharing of ideas by many colleagues from other SAIs and the highly appreciated collaboration of the Bundesrechnungshof with the website’s German version. Furthermore, the Financial Rules of EUROSAI approved by the Governing Board constitute another important milestone of 2013, since they have provided EUROSAI with a unified collection of the principles, policies and procedures to be applied by EUROSAI in implementing its financial management.

On the other hand, EUROSAI has continued its intense activity with other partners, as evidenced by the celebration, in April 2013, of the IV EUROSAI-ARABOSAI Joint Conference, held in Baku, and the signing, also in April, of a Cooperation Agreement with IDI to promote capacity building for the implementation of the ISSAIs.

The year 2014 will be very intense in the EUROSAI community. Worthy of mention is the fact that the XIX Congress will be held in The Hague (The Netherlands) from the 15th to 19th June 2014 and it will be an interactive experience that will spread innovation within the framework of EUROSAI through workshops and inspirational sessions. EUROSAI will also be furthering cooperation during this coming year with organizations with which solid ties already exist, as it is the case of the renewal of the cooperation agreement with the European Confederation of Institutes of Internal Auditing (ECIIA). Likewise, 2014 will see the start of regular, wide-ranging cooperation between EUROSAI and AFROSAI, with the signing at the beginning of the year of a memorandum of understanding between both Organizations.

I cannot conclude these words without expressing, once again, my sincere gratitude to the authors of their valuable contributions to this issue of the EUROSAI Magazine. At the same time, I would like to offer this forum to all those who wish to contribute to this common and stimulating project.

Ramón Álvarez de Miranda
President of the Spanish Court of Audit
Secretary General of EUROSAI
The XL Meeting of the EUROSAI Governing Board (GB) took place in Brussels, Belgium, 30 May 2013, under the Chair of the EUROSAI President and hosted by the Belgium SAI. The main discussions and agreements taken referred to the following issues:

1. The GB took note of the 2012-2013 EUROSAI Activity Report, the 2012 EUROSAI Financial Report, and the 2012 Report of the EUROSAI Auditors, which stated that financial statements provided a true and fair view of the EUROSAI financial situation. 2012 was the first year covered by the Budget 2012-2014, approved at the VIII Congress, being the execution of the budget along 2012 of 59% of the total.

2. In the framework of the implementation of the EUROSAI Strategic Plan, Goal Teams 1 (Chair: SAI France), 2 (Chair: SAI Germany), 3 (Chair: SAI Czech Republic) and 4 (Chair: SAI Portugal) presented their annual reports and their updated operational plans, informing on the main actions taken, activities developed, results achieved and expected results for the future. An overall report on the implementation of the Plan, including an evaluation of cross-cutting issues, was also presented, resulting 82% of the tasks executed by Goal Teams as planned.

The GB acknowledged the Strategic Plan Mid-term review procedure presented by Goal Team 4.

The GB approved the discontinuation of the EUROSAI Newsletter and acknowledged the reduction of pages and cost of EUROSAI’s Magazine next number.

The GB also acknowledged the new EUROSAI website, which was launched in May 2013, and agreed on the EUROSAI Goal Teams testing the electronic platform used by the Netherland’s Court of Audit for the IX Congress.

3. The GB took note of the 2012-2013 Activity Reports of the EUROSAI Working Groups on IT Audit (Chair: SAI of Switzerland) and Environmental Auditing (Chair: SAI of Norway); of the Task Forces on “Audit of Funds Allocated to Disasters and Catastrophes” (Chair: SAI of Ukraine) and “Audit & Ethics” (Chair: SAI of Portugal) which was set up at the VIII Congress; as well as of the progress made by the “Monitoring Committee for setting up and operating the Electronic Data Base on Good Practices” (Chair: SAI of Hungary).

The SAI of Norway informed the GB that it will resign as Chair of EUROSAI Working Group on Environmental Auditing at the IX EUROSAI Congress and the GB took note of this information.

The Accounting Chamber of Ukraine informed the GB about its intention to reconvert the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes into a Working Group and the GB took note of this information.

4. The SAI of Germany, as Chair of GT2 (Professional Standards), and supported by GT4, made a presentation concerning the ISSAI X “The value and benefits of Supreme Audit Institutions – making a difference to the lives of citizens” classification. The EUROSAI Governing Board considered that INTOSAI’s current procedures for due process and classification had been shown to be lacking by the case of ISSAI X and agreed to raise the matter with the INTOSAI Governing Board, which should be the final arbiter of those processes. Instead of raising the matter via a Resolution of the GB, as initially proposed by GT2, the GB agreed that a more appropriate mechanism would be to send a letter with a request for inclusion of an item on this matter in the Agenda of the next INTOSAI GB meeting. The GB decided that a first draft of this letter would be agreed among a core group within
the GB (Germany and UK) elaborated a draft and submitted it to the other members of this core group: France, Portugal, Spain, the Netherlands and ECA) and would be submitted for approval to all GB members. It was also decided that this letter would be sent by the Secretary General, on behalf of the EUROSAI GB, to the Secretary General of INTOSAI.

5. Several issues were considered by the GB under the heading of EUROSAI cooperation:

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

- Cooperation with INTOSAI Regional Groups:
  - The GB was informed about the VII EUROSAI-OLACEFS Conference, that took place in Tbilisi (Georgia) on 17-19 September 2012, under the theme “Good governance in public sector: Role of the SAI’s”. This theme was developed in two sub-themes: “Enhancing stakeholders’ confidence: auditing management, integrity, accountability and the tone at the top quality” and “Public finance management reform: trends and lessons learned”. At the end of the event, the “Tbilisi Statement” was adopted.
  - The GB was also informed about the IV EUROSAI-ARABOSAI Conference that took place in Baku, (Azerbaijan), on 16 and 17 April 2013. The main theme was “Modern challenges for SAI’s capacity building”, which was developed via the following three sub-themes: “Responsibilities of Supreme Public Authorities arising from challenges of UN General Assembly Resolution A/66/209, 22 December 2011”; “Role of SAI’s in achieving national development goals” and “Importance of specifying the boundaries and targets of external and internal public financial control in improving public financial management”.
  - The GB agreed on the theme of the II EUROSAI-ASOSAI Conference, which will be “Lessons learned from the past experiences of adopting the ISSAIs and their future implications” and accepted the offer by ASOSAI of celebrating the Conference during the 25, 26 and 27 of September 2014.
  - The GB took note of the offer by the SAI of Ukraine to organize the III EUROSAI-ASOSAI Conference, in 2017.
  - The GB supported the proposal of EUROSAI Secretary General on revising the celebration of Joint Conferences, agreeing on the convenience of achieving a more rational organization of Conferences, through different measures.
  - The GB approved the draft Memorandum of Understanding (MoU) to be signed with AFROSAI, presented by the EUROSAI Presidency.

- Cooperation with IDI:
  - Cooperation with IDI remains a priority. In April 2013, a Cooperation Agreement between EUROSAI and IDI for the development of capacities for the implementation of ISSAIs was signed, as part of the first phase of the 3i Programme launched by IDI. In March 2013 the 3i Management Workshop EUROSAI-IDI was held in Sarajevo, targeted at eligible SAIs from EUROSAI. At the end of the Workshop Statements of Commitments were signed among the majority of attendant SAIs, IDI and EUROSAI (represented by the Secretariat).
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  - The GB was reported on IDI’s activities and projects, paying special attention to the progress made on cooperation with EUROSAI, in particular, that made on 3i Programme during 2012-2013. Information was also provided by IDI on the SAI Performance Measurement Framework: its draft will be presented at the XXI INCOSAI and training courses for European SAIs are being planned. Thoughts on the future of the EUROSAI-
IDI cooperation in the framework of the EUROSAI Strategic Plan were shared with the GB, with special mention to non-eligible countries. In this regard, it was announced that IDI will share materials with SAIs of non-eligible countries and will also intensify the cooperation with such SAIs in the future.

- Cooperation with external partners:

  – The GB was informed on the progress of practical cooperation developed with the European Confederation of Institutes of Internal Auditing (ECIIA), in performing the 2011 Cooperation Agreement signed with EUROSAI, and agreed on prolonging the validity of this Cooperation Agreement, which expires in March 2014, until the IX EUROSAI Congress, in June 2014. This cooperation is being developed mainly through Goal Team 2, with the support of the EUROSAI Secretariat, in the area of INTOSAI GOV concerning internal control, in particular INTOSAI GOV 9150.

6. The GB approved the “EUROSAI Financial Rules”, which compile existing rules displayed in diverse regulations and agreements of the Congress and the GB and adapt and develop the necessary rules in accordance with the needs of the EUROSAI Strategic Plan. The draft of this document was prepared by the Secretariat, with the support of Goal Team 4.

7. The GB approved granting a financial contribution from the EUROSAI budget for the funding of technical equipment and conference room renting for the Seminar “The use of the performance audit guidelines as outlined in ISSAIs 300, 3000 and 3100” (Bonn, December 2013), with the sum of 3,600€, at the request of Goal Team 2 Chair –SAI of Germany–.

The GB was also informed about two possible future funding requests, which would eventually be submitted for approval via written procedures: one for a license to publish the official Russian translations of the ISA on the EUROSAI website and another for funding a seminar (TFA&E).

8. The GB was informed about the preparations of the IX EUROSAI Congress. The GB adopted the Procedure Standards of the IX EUROSAI Congress and approved the list of observers of the Congress.

9. The GB supported the offer made by the Turkish SAI to host the X EUROSAI Congress, in 2017.

10. Information was provided on recent developments in INTOSAI, such as the 22nd UN/INTOSAI Symposium held in Vienna on 5-7 March 2013 and the recommendations derived from it. An updating was also made in relation to the XXI INCOSAI, not only with regards to its preparations, but also regarding its themes and the content of the “Beijing Declaration”.

11. The XLI and XLII meetings of the GB will be held in the Netherlands, on the 16th and 19th of June 2014.
Overview

The Chamber of Accounts of the Republic of Azerbaijan has hosted IV EUROSAI-ARABOSAI Conference on April 16-18, 2013 in Baku, capital city of Azerbaijan. This time “Modern Challenges for SAIs’ Capacity Building” was selected as the main theme of the conference. Under this common title 3 sub-themes were covered within three sessions: Responsibilities of Supreme public authorities arising from challenges of UN General Assembly Resolution A/66/209, 22 December 2011, Role of SAIs in achieving national development goals, and Importance of specifying the boundaries and targets of external and internal public financial control in improving public financial management. 106 participants from 45 SAIs attended the conference attaching great importance to the event.

Session 1.—Responsibilities of Supreme public authorities arising from challenges of UN General Assembly Resolution A/66/209, 22 December 2011

The session was chaired by the SAI of Portugal as the President of EUROSAI and was composed of discussions and speeches of representatives from INTOSAI, European Court of Audit, SAIs of Sudan, Hungary, Poland, and France. UN General Assembly’s Resolution on “Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions” is the expected outcome of all SAIs’ efforts throughout the World in ensuring their independence reflected in Lima and Mexico Declarations. As it was stated by INTOSAI representative SAIs around the world were encouraged to approach the legislative and executive branches of their countries, media, social networks and all kind of external stakeholders to underline the importance of the Resolution to foster good governance and accountability. Considering the importance and responsibilities

[1] On the 22nd November 2013, Mr. Vugar Gulmammadov was appointed Chairman of the Accounts Chamber of Azerbaijan

The Chamber of Accounts of the Republic of Azerbaijan has hosted IV EUROSAI-ARABOSAI Conference on April 16-18, 2013 in Baku, capital city of Azerbaijan

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stemming from the UN General Assembly Resolution it was noticed that efficient audit of public financial management must satisfy specific requirements in order to be able to effectively fulfill this key role in a state governed by the rule of law. It is not only the mere existence, but also the status, organization and staffing, as well as the functions and mandates of SAIs – institutions which embody government auditing – which must be enshrined in the Constitution and therefore shielded from the politics of the day and from intervention by a simple majority of government. In this regard the UN Resolution A/66/209 will be of enormous support and assistance.

Session II.–Role of SAIs in achieving national development goals

Session II, presided by the SAI of Saudi Arabia, Chair of ARABOSAI was abundant in highly informative speeches of representatives of SAIs of Portugal, Cameroon, Tunisia, Latvia, Morocco, Germany, Palestine, Russian Federation, and Ukraine.

At the same time SAIs can greatly help governments improve public sector performance, fiscal management transparency, fight corruption, promote citizens’ trust, and foster the efficient and effective receipt and use of public funds and resources.

Federation, and Ukraine. The role of SAIs in pursuing of increasing efficiency, accountability, effectiveness and transparency in public management all aimed to achieve national development goals created natural interest as a topic among all participants. SAI of Portugal highlighted in its presentation that the question of good governance and sustainability of public funds as a requisite to achieve development goals is familiar to Portugal’s Court of Auditors and along the years the Court has expressed its concern about important issues related to this matter, through the audits that have been carried out and its report and opinion on the General State Account, warning about particular risks and structural features of Portuguese financial, social and economic situation that call for reforms, focusing, namely, the organizational aspects of the Public Administration, public indebtedness and the demographic issue.

In addition, during its presentation SAI of Saudi Arabia focused on the issues of auditing and sustainable
development, the National Development Plans in the Kingdom of Saudi Arabia, and the Saudi General Auditing Bureau’s role in achieving national development goals. Concluding with recommendations in the presentation it was stressed that the time has come for SAIs to demonstrate their values and benefits, as well as the ability to make a real impact on the lives of citizens and society as a whole, thereby setting a good example for other public sector entities as a model organization. At the same time SAIs can greatly help governments improve public sector performance, fiscal management transparency, fight corruption, promote citizens’ trust, and foster the efficient and effective receipt and use of public funds and resources. By doing so, SAIs can play an important role in eradicating poverty, and help to achieve sustainable development goals, thus improving the standard of living and quality of life for all citizens.

Session III.—Importance of specifying the boundaries and targets of external and internal public financial control in improving public financial management

SAI of Azerbaijan, the host of the conference, chaired the last working session. During Session III the conference participants got a chance to familiarize with the views of their colleagues from SAIs of Spain, Qatar, Algeria, Turkey, Egypt, Switzerland, Lithuania, Yemen, Slovak Republic, as well as IDI representative. Spanish Court of Accounts in its presentation described current situation related to both internal and external control of public economic and financial activity in Spain. It was also emphasized that from the perspective of challenges that external control faces on its way to improved public financial management SAIs must, today more than ever, contribute to creating a public awareness of control in all spheres, from Parliament to citizens, passing through public managers, of course. Control which has to be understood as a means which will contribute an ever more transparent and efficient management. There exists the need to go beyond performance audits in order to probe into an evaluation of effectiveness, efficiency and economy, in line with the demands of citizens that public funds should be managed in the best possible way, which constitutes a challenge for the managers who have resources that are always limited.

In its term SAI of Azerbaijan underlined that precise determination of boundaries in the process of control, firstly, require accurate definition of the functions of both internal and external controls considering their nature. It was also mentioned that as distinct from internal control, external audit, as an audit of supreme level, directly controls activity of the state institutions related to funds management, results of realized economic policy, and the conceptions of strategic development, as well as execution of wide scale programs and projects. In this connection SAIs’ crucial role in raising awareness aiming to clear understanding of an essence of the issue was supported by the participants. ■
The delegates of the IV EUROSAI/ARABOSAI Conference in Baku met to discuss the “Modern Challenges for SAIs’ Capacity Building” on 16-18 April 2013. They:

**Acknowledge that:**

- The Resolution of the United Nations General Assembly A/66/209, dated 22 December 2011, on “Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening Supreme Audit Institutions”, is a powerful tool to be used in the joint efforts of SAIs to promote good public governance, as well as in strengthening SAIs’ independence.

- The support and fruitful cooperation of all INTOSAI members and, in particular, the efforts made by EUROSAI and ARABOSAI, in creating a common understanding of the current challenges, will for sure contribute to developing a common approach to the achievement of an independent and effective external public auditing function.

- The constant challenges caused by the rapidly changing environment require adequate capacity building within SAIs. Effective communication among SAIs’ regional communities, the sharing of experiences in determining responsibilities of supreme public authorities and the exchange of best practices improve capacity building of SAIs.

- The crucial role of SAIs in setting up fundamental conditions for a steady economic development is internationally recognized. The complexity of the audits regarding specific programs in the development field and, in particular, in public investment through public-private partnership (PPP) is one of the most prominent challenges facing SAIs.

- The clear determination of the framework of external public financial control provides a sound basis for good governance in developing public financial management.

**Encourage EUROSAI and ARABOSAI, and their Member SAIs to:**

- Create favorable conditions in order to benefit from the capacity of INTOSAI and its Regional Working Groups in strengthening status and mandates of SAIs.

- Support regional initiatives in raising awareness of supreme public authorities regarding the commitments deriving from the Resolution of the United Nations A/66/209.

- Enhance the implementation of the ISSAI framework while conducting audits on national development programs.

- Reiterate their full support for the INTOSAI-Donor Cooperation as an effective tool to enhance partnership between the two groups and ensure the successful implementation of the ISSAI framework.

- Broadly explore the possibility of applying modern forms for the exchange of experiences, in order to further improve member SAIs’ capacity building.

- Work towards dissemination of good practices for determining the framework and objectives of internal and external financial control systems.

**Request:**

- The Presidents and the General Secretaries of EUROSAI and ARABOSAI to forward this Statement to the Chairman and the Secretary General of INTOSAI and to the Presidents and the General Secretaries of the other INTOSAI Regional Working Groups.
EUROSAI ACTIVITIES DURING 2013

- PLENARY MEETING OF THE EUROSAI IT WORKING GROUP, Paris (France), 18 and 19 February
- TRAINING COURSE OF THE EUROSAI IT WORKING GROUP, Paris (France), 20 to 22 February
- IDI–EUROSAI 3i MANAGEMENT WORKSHOP, Sarajevo (Bosnia and Herzegovina), 11 to 13 March
- 4th PLENARY MEETING OF EUROSAI GOAL TEAM 1, Paris (France), 18 March
- 2nd MEETING OF THE TASK FORCE “AUDIT & ETHICS”, Dubrovnik (Croatia), 4 and 5 April
- IV EUROSAI–ARABOSAI CONFERENCE, Baku (Azerbaijan), 16 to 18 April
- EUROSAI WGEA SEMINAR ON AUDITING WATER MANAGEMENT, Oslo (Norway), 23 and 24 April
- 5th PLENARY MEETING GOAL TEAM 4, Madrid (Spain), 25 and 26 April
- MEETING OF THE PROJECT TEAM “SYSTEMS TO SUPPORT THE AUDIT PROCESS (ISSAP)” (EUROSAI IT Working Group), Luxembourg (Luxembourg), 16 May
- IT AUDIT SELF–ASSESSMENT (ITASA) WORKSHOP (EUROSAI IT Working Group), Ankara (Turkey), 20 to 24 May
- XL EUROSAI GOVERNING BOARD MEETING, Brussels (Belgium), 30 May
- SEMINAR OF THE TASK FORCE “AUDIT & ETHICS” ON AUDITING ETHICS, at the European Court of Auditors, Luxembourg (Luxembourg), 17 and 18 September
- TRAINING SEMINAR OF THE EUROSAI WORKING GROUP ON ENVIRONMENTAL AUDITING ON FRAUD AND CORRUPTION, Prague (Czech Republic), 14 October
- IT SELF–ASSESSMENT (ITSA) WORKSHOP (EUROSAI IT Working Group), Berne (Switzerland), 14 to 16 October
- 11th ANNUAL MEETING OF THE EUROSAI WORKING GROUP ON ENVIRONMENTAL AUDITING, Prague (Czech Republic), 15 to 17 October
- XXI INCOSAI, Beijing (China), 22 to 27 October
- 3rd PLENARY MEETING OF GOAL TEAM 2, Budapest (Hungary), 11 and 12 November
- 5th PLENARY MEETING OF THE EUROSAI GOAL TEAM 1, Paris (France), 18 November
- FIRST YOUNG EUROSAI CONGRESS, Rotterdam (The Netherlands), 20 to 22 November
- 3rd PLENARY MEETING OF GOAL TEAM 3, Karlovy Vary (Czech Republic), 21 to 22 November
- SEMINAR OF THE GOAL TEAM 2: “IMPROVING PERFORMANCE AUDIT IN SAIs BY USING THE PERFORMANCE AUDIT GUIDELINES (ISSAI 300, 3000 AND 3100)”, Bonn (Germany), 4 and 5 December
ADVANCE OF EUROSAI ACTIVITIES IN 2014

- IT SELF-ASSESSMENT (ITSA) WORKSHOP (EUROSAI IT Working Group), Bern (Switzerland), 29 January
- SEMINAR AND MEETING OF THE TASK FORCE “AUDIT & ETHICS” ABOUT “ETHICS WITHIN SAIs”, Lisbon (Portugal), 29 to 31 January
- IT AUDIT SELF-ASSESSMENT (ITASA) WORKSHOP (EUROSAI IT Working Group), Bern (Switzerland), 30 January
- 9th PLENARY MEETING EUROSAI IT WORKING GROUP, Potsdam (Germany), 11 and 12 March
- INTERNATIONAL SYMPOSIUM ON “IT-RELATED CHALLENGES FOR EXTERNAL AUDITING”, Potsdam (Germany), 13 and 14 March
- MEETING OF THE TASK FORCE ON AUDIT AND ETHICS, Bucharest (Romania), 3 and 4 April
- 6th PLENARY MEETING OF GOAL TEAM 4, Lisbon (Portugal), 28-29 April
- XLI EUROSAI GOVERNING BOARD MEETING, The Hague (The Netherlands), 16 June
- IX EUROSAI CONGRESS, The Hague (The Netherlands), 15 to 19 June
- XLII EUROSAI GOVERNING BOARD MEETING, The Hague (The Netherlands), 19 June
- II CONFERENCE EUROSAI–ASOSAI, Moscow (Russian Federation), 25 to 27 September

APPOINTMENTS IN EUROSAI SAIS

Appointments in EUROSAI SAIs during 2013:
- Mr. Ishkhan Zakaryan, re-elected Chairman of the Control Chamber of the Republic of Armenia
- Mr. Vugar Gulmammadov, new Chairman of the Chamber of Accounts of the Republic of Azerbaijan
- Mr. Miloslav Kala, new President of the Supreme Audit Office the Czech Republic
- Mr. Alar Karis, new Auditor General of Estonia
- Mr. Raffaele Squitieri, new President of the Corte dei Conti of Italy
- Ms. Elita Krümiņa, new Auditor General of Latvia
- PhD Milan Dabović, new President of the Senate of State Audit Institution of the Republic of Montenegro.
- Mr. Krzysztof Kwiatkowski, new President of the Supreme Audit Office of Poland
- Mr. Guilherme D’Oliveira Martins, re-elected President of the Tribunal de Contas of Portugal
- Ms. Tatyana A. Golikova, new Chairman of the Accounts Chamber of the Russian Federation
- Mr. Tomaž Vesel, new President of the Court of Audit of Slovenia

Appointments in EUROSAI SAIs with effect as from the 1st January 2014:
- Mr. Per–Kristian Foss, new Auditor General of Norway
- Mr. Michel Huissoud, new Director of the Swiss Federal Audit Office
INFORMATION ON EU

Two meetings of the Contact Committee (CC) of the Heads of the European Union (EU) Supreme Audit Institutions (SAIs) and the European Court of Auditors (ECA) were organised in 2013: extraordinary meeting and regular annual meeting.

Extraordinary Meeting of the Contact Committee

An extraordinary meeting of the Heads of SAIs of the EU and the ECA was hosted by the ECA on 8 May 2013 and chaired by Ms Giedrė Švedienė, Auditor General of Lithuania and Acting Chair of the Contact Committee. It was attended by 59 delegates from 24 EU SAIs, ECA, and SAIs of four candidate countries (Croatia, the former Yugoslav Republic of Macedonia, Montenegro and Serbia). This was the first extraordinary meeting in the history of the Contact Committee.

Two items were on the agenda of the meeting: 1) a draft statement on the importance of appropriate audit and accountability arrangements in the Economic and Monetary Union and related developments; and 2) a preliminary exchange of views on the position paper of the Contact Committee ‘Resolution 6’ Task Force.

Under the first item of the agenda the members of the Contact Committee discussed a Finnish initiative aiming at sending a common statement to the President of the European Council, in view of the upcoming Council discussion scheduled for June 2013 on possible measures and a roadmap to further deepen and complete the Economic and Monetary Union (EMU). This Council discussion provided an important opportunity to draw policy makers’ attention to the role of accountability and external public audit when further developing the EMU.

The Contact Committee unanimously adopted a statement on the importance of appropriate audit and accountability arrangements in the Economic and Monetary Union and EU economic governance to be sent to the President of the European Council.

In its statement the Contact Committee called on the European Council to safeguard and strengthen public external audit and accountability when completing the EMU, the banking union and the strengthened co-ordination of economic policies, in particular by:

- Building a coherent audit and accountability framework.
- Recognising the importance of public external audit in EU legislation.
- Strengthening audit arrangements in respect of the banking union.
- Incorporating audit arrangements in the area of fiscal discipline.
- Improving transparency and audit coherence of the financial stabilisation instruments.

A cover letter accompanying the statement was also agreed upon and was signed by the members of the Troika – the Heads of SAIs of Lithuania (Acting Chair), Portugal and the European Court of Auditors.

Under the second item of the agenda a preliminary exchange of views took place on the Position Paper of the Contact Committee Task Force on tasks and roles of external public audit in the light of recent developments in European Union economic governance, which was established by the Contact Committee in October 2012. The Task Force carried out an in-depth analysis and
developed a Position Paper presenting a summary of the Task Force’s conclusions and recommendations and outlining ideas on what issues should be addressed by the Contact Committee in the future. It also included proposals on how the Contact Committee could operate more effectively. The Contact Committee asked the liaison officers to explore further and come up with more concrete proposals on the issues presented in view of the following Contact Committee meeting, scheduled for October 2013.

Annual Meeting of the Contact Committee

The 2013 annual meeting of the Contact Committee of the Heads of the EU SAIs and the ECA was hosted by the National Audit Office of Lithuania on 10-11 October 2013 in Vilnius. The meeting was chaired by Giedré Švedienė, Auditor General of Lithuania and Acting Chair of the Contact Committee. It was attended by 84 delegates from EU SAIs and the ECA, SAIs of three candidate countries (Montenegro, Serbia and Turkey) and representatives of IDI, EUROSAI and SIGMA.

It was the first time that the annual meeting of the Contact Committee meeting was held in Vilnius, Lithuania, and it took place during the historical and momentous period when Lithuania was holding its first ever EU Presidency.

The meeting was opened by H.E. Valdas Adamkus, former President of the Republic of Lithuania, who congratulated the participants and expressed his belief that the leaders of the EU SAIs and the ECA will find the best solutions to improve accountability in the public sector and the execution of the tasks assigned to national audit authorities.

The main focus of the meeting was a seminar on the latest developments which included two themes: 1) the new financial framework for 2014-2020 and the new financial regulation—the role of SAIs in improving accountability in the EU; and 2) new economic governance—the role and tasks for SAIs.

The seminar opened with two distinguished guest speakers: Mr Algirdas Šemeta, European Commissioner responsible for Taxation and Customs Union, Audit and Anti-Fraud, and Mr Michael Theurer, MEP, Chair of the Committee on Budgetary Control of the European Parliament (speech delivered by video presentation). The guest speakers shared their ideas on the major issues related to the latest developments in EU governance and accountability.

The first theme was addressed in the presentations of the ECA and several EU SAIs who shared their ideas and current experiences. It was underlined that all those involved in public financial control of the EU budget at EU, national and regional level, whether they are
In the context of the first theme, it was emphasised that responsible for internal control, external audit or the political oversight, must face the challenge of trying to improve EU accountability in the coming years. It was also emphasised that new legal frameworks governing EU funds will shortly enter into force and there are some important new elements and a changing context to consider, although the main features of the current accountability arrangements will stay the same.

Concerning the second theme a number of SAIs shared their views and latest developments in addressing the issues of new economic governance in their own countries. The SAI of Finland reported on the follow-up given to the initiative endorsed by the Contact Committee in respect of collectively addressing the European Council and on the Network of Fiscal Policy Audit. The second theme also included active discussions and an exchange of ideas on the follow-up and next steps concerning the Position Paper of the Task Force on new tasks and roles for external public audit in the light of recent developments in EU economic governance.

On the second day the meeting was addressed by another prominent guest speaker, Dr. Gediminas Mesonis, Justice of the Constitutional Court of the Republic of Lithuania and Professor of the Faculty of Law of the Vytautos Magnus University (Lithuania), who shared his views on the issue of SAI Independence. The presentation was very well received by the participants as drawing attention to the issue of SAIs’ independence from an academic perspective.

The Contact Committee took note of the Status Outline of activities for 2013 – the annual activity report containing information on the status and activities of the working groups, networks and task forces currently operating in the framework of the Contact Committee.

The following reports were presented to the Contact Committee on the current cooperation activities in 2013: Report of the Working Group on Structural Funds V (SAI of Germany); Report on “The Spending Review in EU Countries – Analysis of the best practices, the findings and the perspectives” (SAI of Italy); Report on the seminar on public accounting standards (SAI of France); Joint report on the coordinated audit on the enforcement of EU waste shipment legislation (SAI of the Netherlands). The SAI of Lithuania shared information on the Cooperative Audit of National Parks.

The SAI of Turkey reported on the activities of the Network of SAIs of Candidate and Potential Candidate Countries and the European Court of Auditors.

The SAI of the Netherlands reported on the progress of the preparations for the IX EUROSAI Congress, to be held from 15 to 19 June 2014 in The Hague, Netherlands, and on the first Young EUROSAI Congress (YES), scheduled from 20 to 22 November 2013 in Rotterdam.
Following the debates on the above-mentioned themes, five resolutions were adopted concerning the implementation of future strategies and addressing the new challenges for SAIs in the context of recent accountability arrangements and new economic governance developments in the EU:

- Resolution on the 2014 future activities of the EU SAIs Contact Committee (CC-R-2013-02).
- Resolution on the Audit of the Working Group on Structural Funds (CC-R-2013-03).
- Resolution on Public Sector Accounting Standards for European Member States (EPSAS) (CC-R-2013-04).
- Resolution on the Publication of the final report of the Coordinated audit on the enforcement of the European Waste Shipment Regulation (CC-R-2013-05).

The Contact Committee also took note of the Position Paper of the Task Force on new tasks and roles for external public audit in the light of recent developments in EU economic governance and decided to reconvene the Task Force under the leadership of the Acting Chair to continue its activities and to report to the 2014 Contact Committee meeting.

The 2014 Contact Committee meeting will be held in Luxembourg on 16-17 October 2014, and will be hosted by the ECA. The 2015 Contact Committee meeting will be hosted by the SAI of Latvia and held in Riga during the Latvian EU Presidency.
On 5 November 2013 the European Court of Auditors published its annual reports on the implementation of the EU budget and the European Development Funds for the 2012 financial year.

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

Central to the 2012 annual reports are the 19th annual statements of assurance (or ‘DAS’) on the reliability of the EU accounts and the regularity of the transactions underlying them.

In 2012, the EU spent €138.6 billion, with around 80 % on agriculture and cohesion policies, where the task of implementing the EU budget is shared by the Commission and EU Member States.

As regards the reliability of the EU accounts, the ECA concluded that the 2012 consolidated accounts of the EU present fairly, in all material respects, the financial position of the Union as of 31 December 2012, the results of its operations, its cash flows and the changes in net assets for the year then ended.

As for the regularity of transactions, in the ECA’s opinion, EU revenue and commitments underlying the 2012 accounts were legal and regular in all material respects. In contrast, the ECA concluded that the examined supervisory and control systems were partially effective in ensuring the legality and regularity of payments underlying the 2012 accounts and that those payments were materially affected by error. The ECA’s estimate for the most likely error rate for expensed payments underlying the accounts was 4.8 % for the EU budget as a whole, which means that the level of error increased from 3.9 % of 2011. A part of that increase (0.3 percentage points) is due to a change in the ECA’s sampling approach. The estimated error rate has increased every year since 2009, after having fallen in the three previous years

The ECA’s overall opinion on payments is supported by specific assessments of the policy groups (chapters 2 to 9). All individually assessed areas of EU spending were affected by material error with the exception of administrative and other expenditure (€10.0 billion).

For Agriculture: market and direct support (€44.5 billion) the estimated error rate was 3.8 %. A majority of expenditure in this spending area is calculated based on agricultural land surface. Many quantifiable errors are the result of inaccurate claims by beneficiaries, with the most frequent being over-declaration of land area. For a significant number of transactions affected by error, the Member States authorities had sufficient information available to have detected and corrected the error. The ECA also found infringements in 16 % of the transactions subject to cross-compliance obligations in European Agricultural Guarantee Fund direct aid schemes. The ECA selected three integrated administration and control systems for detailed examination. Two were assessed as not effective and the other was assessed as partially effective. Two other supervisory and control systems applicable to the EU food aid for the most deprived persons were assessed as effective.

Rural development, environment, fisheries and health (€15.0 billion) was the most error prone area of EU spending with an estimated error rate of 7.9 % in 2012. The reason for most of the errors identified was that the beneficiaries did not respect the eligibility requirements, in particular those concerning agri-environment commitments, specific requirements for investment projects and procurement rules. For the majority of transactions affected by error, the Member States authorities had sufficient information available to have detected and corrected the errors before claiming reimbursement from the Commission. Of the six Member States’ rural development systems selected for detailed assessment, one was not effective and the other five were partially effective. Overall, the audit detected more than €9 million of ineligible expenditure resulting from the non-respect of procurement rules.
The estimated error rate for policy group Regional policy, energy and transport (€ 40.7 billion) was 6.8%. The ECA found serious failures to respect public procurement rules. Such errors accounted for 52% of the error rate estimated by the ECA. The combined estimated contract value for the 247 audited public procurements amounted to € 6.3 billion. The second most frequent type of error was ineligible payments, with projects failing to fulfil the necessary conditions either for part of the payment or for the entire project. Such errors accounted for 28% of the ECA’s estimated error rate. For 56% of the transactions affected by error, the Member States authorities had sufficient information available to have detected and corrected the error. Audit authorities, which are established by the Member States for cohesion policy purposes, play a key role in ensuring that the expenditure reimbursed under the European Regional Development Fund, the Cohesion Fund and the European Social Fund is regular. The ECA assessed the functioning of a sample of four audit authorities, and found three to be ‘partially effective’, and one as ‘effective’.

For Employment and social affairs (€ 13.4 billion) the estimated most likely error rate was 3.2%. The majority of errors detected – 74% of the estimated error rate – concerned the reimbursement of ineligible costs, projects, beneficiaries or participants. For 67% of the transactions affected by error, the Member States authorities had sufficient information available to have detected and corrected the errors before claiming reimbursement from the Commission. On recommendation of the ECA, and with the aim of reducing the likelihood of error and the administrative burden on project promoters, the use of lump-sum and flat-rate payments instead of reimbursing ‘real costs’ was extended in 2009. In its 2012 audit the ECA did not detect any quantifiable errors related to the specific use of lump-sum and flat-rate payments. This indicates that projects whose costs are declared using such payment options are less error-prone. Thus a more extensive use of lump-sum and flat-rate payments would normally have a positive impact on the level of error.

For External relations, aid and enlargement (€ 6.6 billion) the estimated most likely error rate was 3.3%, where clearing of advances – a new element in the sample for 2012 representing 68% by value of the audited population – contributed 3.2 percentage points of the total estimated error rate for the spending area. A majority of errors involve ineligible expenditure incurred at final beneficiary level, such as: expenditure incurred outside the eligibility period; inclusion of ineligible expenditure (e.g. VAT, staff costs and unjustified overheads) charged in the project cost claims and expenditure without adequate supporting documents.

Finally, in the policy group Research and other internal policies (€ 10.7 billion), whose main component is the framework programmes for research and technological development (FPs), the ECA concluded that the estimated most likely error rate was 3.9%, where clearing of advances – a new element in the sample for 2012 representing 62% by value of the audited population – contributed 2.1 percentage points of the total estimated error rate for the spending area. The main source of error remains the inclusion of ineligible costs in research FPs project cost statements and the use of incorrect methodologies by FP beneficiaries for the calculation of personnel and indirect costs.

In Chapter 10 of the 2012 annual report, the ECA analyses performance measurement in the management plans and annual activity reports of three of the Commission’s directors-general, identifies common themes in the special reports which the Court has adopted in 2012 and covers briefly the Commission’s second and third evaluation reports. The ECA’s review shows that the Commission’s performance management and reporting is evolving and some corrective actions have been taken but it is too early to assess their results and that the evaluation reports are not yet suitable to be used in discharge procedure.

In conclusion, the ECA has signed off the 2012 accounts of the European Union, as it has done each year since the 2007 financial year, but in most spending areas of the EU budget the report finds that the legislation in force is still not fully complied with. The ECA calls for a rethink of EU spending rules and recommends simplifying the legislative framework. The 2014-2020 programming period looks likely to remain expenditure-oriented, designed for getting the EU budget allocated and spent rather than focusing on the value it is intended to bring.

The ECA’s annual reports on the implementation of the 2012 EU budget and European Development Funds can be found on http://www.eca.europa.eu.
The European Court of Auditors adopted the following **special reports** in 2013:

- Special Report No 1/2013 – Has the EU support to the food-processing industry been effective and efficient in adding value to agricultural products?
- Special Report No 2/2013 – Has the Commission ensured efficient implementation of the Seventh Framework Programme for Research?
- Special Report No 3/2013 – Have the Marco Polo programmes been effective in shifting traffic off the road?
- Special Report No 5/2013 – Are EU Cohesion Policy funds well spent on roads?
- Special Report No 6/2013 – Have the Member States and the Commission achieved value for money with the measures for diversifying the rural economy?
- Special Report No 7/2013 – Has the European Globalisation Adjustment Fund delivered EU added value in re-integrating redundant workers?
- Special Report No 12/2013 – Can the Commission and Member States show that the EU budget allocated to the rural development policy is well spent?
- Special Report No 15/2013 – Has the Environment component of the LIFE Programme been effective?
- Special Report No 16/2013 - Taking stock of ‘single audit’ and the Commission’s reliance on the work of national audit authorities in Cohesion.
- Special Report No 18/2013 - The reliability of the results of the Member States’ checks of the agricultural expenditure (publication imminent)
- Special Report No 19/2013 - 2012 report on the follow-up of the European Court of Auditors’ Special Reports (publication imminent)

In addition the following **opinions** were adopted by the ECA in 2013:


Moreover, 50 specific annual reports on the European agencies and other decentralised bodies have been adopted and published. The reports include an opinion on the reliability of their 2012 financial statements and on the legality and regularity of the underlying transactions. The ECA has also prepared and published on its website two summaries of these reports, one on the European Agencies and other bodies, and one on the European Research Joint Undertakings.

The ECA’s Annual Activity Report for 2012 was published in April 2013. It provides an overview of the key results and achievements during the previous year as well as the main developments in its audit environment and internal organisation.

All ECA reports and opinions can be found on the ECA’s website – http://www.eca.europa.eu.

NEW MEMBERS JOIN THE EUROPEAN COURT OF AUDITORS

Following nominations from their Member States, and after consultation with the European Parliament, the Council of the European Union appointed the following new Members to the European Court of Auditors in 2013 for renewable terms of six years:

- Ms Iliana Ivanova (Bulgaria)
- Mr George Pufan (Romania)
- Mr Neven Mates (Croatia).
TOWARDS BETTER AUDITING OF HUMANITARIAN AID

Torielle Perreur-Lloyd and Gaston Moonen
European Court of Auditors
Former Secretariat of the INTOSAI Working Group on Accountability for and the Audit of Disaster-related Aid

Between 1992 and 2011, disasters killed 1.3 million people, affected 4.4 billion and resulted in economic losses of USD 2 trillion. The total humanitarian response in 2012 was USD 17.9 billion, of which governments contributed USD 12.9 billion.

At the end of October 2013, the XXI INCOSAI in Beijing approved five ISSAs in a new 5500 series on auditing disaster-related aid. This article is about why and how INTOSAI created this guidance, what it is about and how you can use it.

How it all started

On 26 December 2004 a massive tsunami hit 14 countries in South East Asia, killing 230,000 people and causing huge human and economic damage. It was one of the deadliest natural disasters in recorded history, prompting a worldwide response with more than USD 14 billion donated in humanitarian aid. The aid flowed in quickly from a vast number of donors to many different recipients. There was clearly an urgent need for coordination at all levels. In 2005 INTOSAI put together a Task Force of SAIs to coordinate the assessment of the accountability of the aid related to the tsunami disaster. The Task Force found that aid flows could not be traced from donors to recipients and that the same aid payments were often reflected differently in the financial reports of recipient entities. There was also a lack of coordination between SAIs auditing disaster-related in recipient countries and in donor countries.

INTOSAI created the Working Group on Accountability for and the Audit of Disaster-related Aid (WGAADA) to propose a solution to the inadequacy of transparency and accountability arrangements and to produce guidance and good practice for SAIs auditing disaster-related aid.

“How many governments have yet to recognize that the risk of disasters is growing. Lives and money can be saved by greater preparedness, and auditors and parliaments must step up their efforts to hold their governments to account” (Gijs de Vries, Member of the European Court of Auditors and Chairman of INTOSAI WGAADA).

On 26 December 2004 a massive tsunami hit 14 countries in South East Asia. There was clearly an urgent need for coordination at all levels. In 2005 INTOSAI put together a Task Force of SAIs to coordinate the assessment of the accountability of the aid related to the tsunami disaster.

WGAADA existed between 2008 and 2013. It established a work programme of tasks to meet the mandate set by INTOSAI and divided these tasks up amongst its 23 members [1]. The European Court of Auditors chaired the Working Group and provided

[1] In 2013, the following SAIs were members: Austria, Chile, China, the European Court of Auditors, France, Georgia, India, Indonesia, Jamaica, Japan, Kenya, Korea (Republic of), the Netherlands, Norway, Pakistan, Peru, the Philippines, Romania, Russian Federation, Sri Lanka, Turkey, the Ukraine and the United States of America. Membership by the SAI of the Ukraine ensured regular exchange of information with EUROSAI’s Task Force on the Audit of Funds Allocated to Disasters and Catastrophes.
ISSAI 5510 suggests how SAIs can help improve preparedness and reduce the overall cost of disasters through their audit work

its secretariat. By the end of its mandate in 2013, the Working Group had produced 5 ISSAs and an INTOSAI GOV. For more about INTOSAI GOV 9250 see p. 35 of this magazine.

The 5500 series of ISSAs

The ISSAs fit into the Disaster Management Cycle as follows:

ISSAI 5500 - Introduction

ISSAI 5500 contains basic definitions and tells SAIs which ISSAI can be used at different stages of the disaster management cycle.

ISSAI 5510 - Disaster Risk Reduction

ISSAI 5510 suggests how SAIs can help improve preparedness and reduce the overall cost of disasters through their audit work. It provides examples of good practice taken from a parallel audit of disaster risk reduction carried out by 10 SAIs as well as from other SAIs consulted and includes an example of an audit programme for auditing disaster risk reduction.

Examples of what SAIs auditing disaster risk reduction can do:

- Compare the cost of previous disasters to expenditure on disaster risk reduction: “Every dollar spent on preparing for disasters saves around seven dollars in economic losses.” (United Nations Development Programme).
- Ask whether enough of humanitarian aid is spend on disaster risk reduction: “In 2010 disaster risk reduction accounted for only 4.2% of humanitarian aid” (Islamic Relief / OECD).
- Assess the effectiveness of institutions set up to prepare for potential disaster: “Despite considerable progress in setting up institutions and creating funding arrangements, there are critical gaps in the preparedness level for various disasters.” (Comptroller and Auditor General of India).

ISSAI 5520 - Disaster-related aid

ISSAI 5520 explores the challenges faced by auditors of disaster-related aid and proposes ways in which to tackle them. It outlines the approaches to auditing disaster-related aid, includes examples of good practice and suggests how SAIs can learn from each other.

Examples of what SAIs auditing relief, recovery, rehabilitation and reconstruction expenditure can do:

- Examine whether post disaster relief and rehabilitation aid arrived quickly enough: the European Court of Auditors found that the European Union’s rehabilitation aid to victims of Hurricane Mitch in Central America had been useful but too slow.
- Check the legality and regularity of post-disaster expenditure: the Auditor General of Sri Lanka found waste and corruption in Sri Lanka’s handling of the 2004 tsunami.
• Audit the effectiveness of post-disaster aid: the French Court of auditors found that disaster aid after the 2010 floods was not spent effectively.

ISSAI 5530 – Fraud and Corruption

ISSAI 5530 examines how SAIs can address the higher risk of fraud and corruption in humanitarian emergencies. It includes lists of ‘red flag’ indicators of abuse and examples of cases of fraud and corruption, and shows how audit procedures can be adapted to take account of the higher risk indicated by the ‘red flags’.

Examples of how SAIs can adapt their audit procedures to take account of the risk of fraud and corruption:

• Draw up a list of red flag indicators appropriate to the disaster-related aid expenditure: for example, absence of physical inspections, staff not taking leave due over a long period of time, checks on payments made but anomalies not followed up.

• Adopt a risk based audit approach, including taking account of whistle-blowing: for example, the US’s “FraudNet”, Norway’s “Tip-Channel” and the UK’s “Whistleblowers’ Hotline”.

• Ensure procedures for reporting and follow-up are adequate.

ISSAI 5540 – Geospatial Information Systems

ISSAI 5540 reflects the growing importance of access to good information on the location and scale of disasters. It explains the use of GIS by disaster managers and GIS as an audit tool and provides examples of the use of GIS by managers and auditors of disaster-related aid.

Examples of how SAIs can audit the use of GIS by disaster managers and use GIS in their audits of disaster-related aid:

• Look at whether GIS is used by disaster managers and if so, whether the GIS selected are appropriate and employed effectively.

• Examine whether auditors can adopt the same tools used by their auditees for the conduct of the audit.

• Use GIS to check compliance by auditees with rules: for example, the SAIs of the Netherlands and Indonesia used GIS to check whether authorities rebuilding after the 2004 tsunami respected the restrictions placed on them by the government.

ISSAI 5540 reflects the growing importance of access to good information on the location and scale of disasters

What we have done with the ISSAIs

SAIs and other organisations from across the world with expertise in the management and audit of disaster-related aid have contributed to the ISSAIs. ISSAIs 5510 and 5520 are supported by surveys and parallel audits. The results of the consultations, surveys and parallel audits can be consulted on the website of the INTOSAI Knowledge Sharing Committee [2].

As part of INTOSAI’s procedure for creating and adopting new ISSAIs, the five pieces of guidance were published as drafts by the INTOSAI Professional Standards Committee to invite comment by SAIs and other interested organisations. There was considerable interest in the new series. WGAADA received nearly 30 sets of comments which were taken on board in the preparation of the ISSAIs.

Some of the international events to which WGAADA presented the new 5500 series of ISSAIs and individual ISSAIs:

• AFROS/A-E Governing Board meeting.

• Global Forum on Disaster Risk Reduction, organised by the United Nations to prepare for the second Hyogo Framework for Action (ISSAI 5510).

• ASOSAI seminar on the Audit of Disaster Management Practices (ISSAI 5520).

• The International Forum on the United Nations Convention against Corruption (ISSAI 5530).

• The International Anti-Corruption Conference (ISSAI 5530).

• The United Nations International Conference on Disaster Risk Identification, Assessment and Monitoring (ISSAI 5540).

How to use the new ISSAIs

As is the case for other INTOSAI auditing standards, the 5500 series of ISSAIs is not mandatory. The ISSAIs build upon INTOSAI’s Fundamental Auditing Principles and standards promulgated by other standard setting organisations with which INTOSAI has a cooperation agreement, such as the International Federation of Accountants. Depending on the legal and regulatory framework and the mandate of the SAI, the ISSAIs on disaster-related aid can be used for audits at all levels of government. Auditors of private entities such as NGOs receiving and managing public funds may also find the 5500 series of ISSAIs relevant to their work.

These ISSAIs on auditing disaster-related aid reflect current good practice. They make reference to the guidance on general audit methodology and procedures in the third and fourth level ISSAIs, especially those on financial audit, performance audit and compliance audit. They also include examples and propose practical solutions for auditing disaster-related aid.

Individual SAIs and INTOSAI working groups and committees such as the INTOSAI Development Initiative (IDI), the Capacity Building Committee, regional working groups, the Working Group on Environmental Audit (WGEA), etc. can use the ISSAIs for their audits and for capacity building and training purposes.

SAIs are well-placed to promote good governance in the administration of humanitarian aid. The challenge before us is to help governments and their partners maximise the impact of aid – its economy, efficiency, and effectiveness – while minimising the risks of fraud and corruption, to the benefit of the victims of humanitarian disasters.

The 5500 series of ISSAIs can be downloaded here:

http://www.issai.org/4-auditing-guidelines/guidelines-on-specific-subjects/
THE INTEGRATED FINANCIAL ACCOUNTABILITY FRAMEWORK

Torielle Perreur-Lloyd and Gaston Moonen
European Court of Auditors
Former Secretariat of the INTOSAI Working Group on Accountability for and the Audit of Disaster-related Aid

The Integrated Financial Accountability Framework (the IFAF) is a framework within which providers and recipients of humanitarian aid report financial and in-kind transfers of aid in standardised tables. These tables are then audited and published on the internet as open data. This article explains why INTOSAI has developed the IFAF and its relevance to EUROSAI.

Following disasters, humanitarian aid flows from donors to victims. It is important to know whether the aid arrives at the intended destination. Auditors are asked to provide assurance on this. To do so, they need information on the aid that has been provided and on how it has been spent. Such information should be easy to obtain by looking at transfers of funds from donors to recipients (victims).

Following the 2004 South East Asia tsunami, SAIs found they could not track the flow of humanitarian aid from providers to recipients. The following example is from a study carried out by the Netherlands SAI of aid flows related to the 2004 tsunami disaster. The auditors involved in the study were not able to follow the aid flows because there was no harmonised and standardised reporting of the sources and destinations of aid flows. Donors, intermediary and implementing organisations had different ways in which they reported on the funds they received and on the payments made. The study compared the accounts of 50 humanitarian NGOs and found that they all used different reporting models.

INTOSAI asked the Working Group on Accountability for and the Audit of Disaster-related Aid (WGAADA) to propose a solution to the inadequacy of transparency and accountability arrangements. See article on page 31 for more information on this.

The IFAF is a tool for stakeholders in humanitarian aid to identify, clarify and simplify the flow of humanitarian aid from providers to recipients. The idea is that all providers and recipients of aid should produce an IFAF table showing where the funds they dealt with came from and to whom or on what they were paid out. The table shows receipts and payments, not pledges or commitments of aids, and is drawn up using the same data as that used to meet other reporting requirements. This makes it straightforward to prepare and to audit. It is drawn up on a cash basis, so there is no need to show accrued data. The table is audited along with the other financial reports and then published to make it available to all stakeholders.

For optimum transparency, IFAF tables should be prepared by all actors in the chain of humanitarian aid and show in each case to which organisation or on which activity the funds are paid out. In this way the IFAF tables link together to form a framework of information about the whole of humanitarian aid. This allows for the reconciliation of balances between the different levels in the chain of aid flows and the construction of an overall picture of the flows of humanitarian aid from donors to victims.

With the support of International Aid Transparency Initiative (IATI), the world’s leading aid transparency initiative, IFAF tables are converted into machine-readable format and registered with them. In this way IFAF data become open data: ‘published once, used often’.

SAIs can encourage and support the production of IFAF by stakeholders of humanitarian aid. When audits of humanitarian aid lead SAIs to observe inadequate transparency and accountability, they can refer providers and recipients of aid to INTOSAI GOV 9250 on the IFAF, which was adopted at the XXI INCOSAI in Beijing in October 2013. Widespread implementation of the IFAF will give SAIs access to reliable financial data on the chain of humanitarian aid flows from donors to victims. This will facilitate better audit of aid flows – financial, compliance and performance.
Flow of Tsunami-related Aid: Dutch Donor Perspective

Donors
- NL Central Government
- NL Local Government
- (SHO) NGO8
- NGOs
- Companies / Business community
- Religious organisations
- Private persons / Foundations / Lotteries

Intermediate Agencies (Channels)
- Multi donor fund / Multilateral organisations
- Recipient Central Government
- (SHO) NGO8
- NGO8

Recipient/ Implementers
- Recipient Government
- Central Ministries
- Local Government
- International NGO8 / Multilateral organisations
- Local NGOs
- Local Church / Mosque

Relief, Rehabilitation & Reconstruction Activities in Tsunami Area

The IFAF framework

Entity A
- financial data
- IFAF table
- IFAF framework

Entity B
- financial data
- IFAF table

Entity C
- financial data
- IFAF table

Publish on internet = open data

INTOSAI GOV 9250 can be downloaded here:

http://www.issai.org/media/79447/intosai-gov-9250-e.pdf
REPORTS ON EUROSAI ACTIVITIES AND OTHER ARTICLES AND STUDIES
REPORTS ON EUROSAI ACTIVITIES
EUROSAI GOAL TEAM 1—CAPACITY BUILDING
MIDTERM REVIEW AND STAKES

“Facilitate the development and the strengthening of institutional capacity of EUROSAI members”

The SAI of France
Chair of EUROSAI Goal Team 1 “Capacity Building”

Three years after the launching of the 6 year EUROSAI Strategic plan and after five meetings by the end of 2013, concrete results have obviously been achieved by Goal Team 1 (GT1) though some issues deserve a closer examination to cope with the remaining overlaps impacting the operational plan (OP).

Mid-Term Review

A new stabilized operational plan

The initial OP quickly showed its limits and GT1 members decided to revise it in 2012 in order to aim at concrete and measurable objectives. In 2013, the new validated OP has been implemented.

The simplified OP reconsidered the pertinence of 7 “Task groups (TGs)”, moving responsibility to 4 TGs directly correlated with the SG and reviewed the contents of the tasks and key activities. Some were merged and the tasks numbering restructured in 24 tasks (including these completed in 2012/2013). Besides, tasks were reallocated among the TGs.

Major achievements

TG 1: Latvian Coordination—Spain, Sweden
“Availability of data”—Focus on the data base

Latvia sent the draft CB database to all GT1 members, GT2, GT3, IDI, and all regional organizations working with CBC (chaired by UK): the objective being to stabilize and check the adequacy and contents of the database before deciding where to put it online as a tool in order to “Promote the use of relevant materials and information available on new professional developments in the CB field (e.g. developed by INTOSAI, IDI, or Regional Working Groups) to meet the needs of EUROSAI members”. The materials are structured according to the three main areas of capacities of SAIs—Audit Capacity, Organisational Capacity and the Capacity to Deal with External Environment as well as a separate group of materials for the Assessment of SAIs work, but the emphasis is laid especially on Organisational Capacity and the Capacity to Deal with External Environment. The first draft list will be made available on EUROSAI webpage for the benefit of all SAIs and a permanent watch on updates will be ensured.

TG 2: Georgian Coordination—Romania, United Kingdom
Strategy 2: “Identification of needs and innovations”—Booklet on Innovations

Building on Latvia’s database, Georgia intends to present a method for moving forward and to identify gaps and possible needs that should be discussed with IDI.

UK presented the EUROSAI Innovation booklet released as a way of identifying and disseminating best CB practices. The publication provides a forum for the different SAIs in Europe to publicise what they consider their most interesting recent innovations. In the first edition, 15 SAIs sent in some 43 different examples of innovations. They range from work in Lithuania on following up recommendations; to the work France does to make internal training events available via videoconferencing to other French-speaking SAIs; Germany’s efforts to increase budget transparency; efforts in Estonia to reduce their ecological footprints; and the United Kingdom’s work on helping governments take a structured approach to reducing spending. Each entry is brief and as part of democratising knowledge transfer, individual emails are provided. It is already being translated into French and German. GT1 is planning a second edition to be
published next January and will do a follow up to assess whether it is proving useful.

**TG 3: French coordination—Portugal, Slovakia**

**Strategy 3: “Strategic support”—focus on CB programs for non IDI eligible SAIs**

IDI considered possible ways of offering training seminars within non eligible SAIs on a cost recovery basis.

**TG 4: Hungarian coordination—Austria, France**

**Strategy 4: “Independence”—focus on first results of the Independence questionnaire**

Hungary presented the questionnaire “Take active steps to strengthen and support SAI independence”, which results will be addressed next autumn and announced they would host a Seminar about independence next year. GT1 is seeking to establish a base-line against which future progress can be assessed.

At this stage GT1 has achieved about 85 % of its planned objectives for the 2012-13 reporting period.

Since March 2013, GT1 SAIs are expected to debate a common key issue to CB during GT1 meetings. **Dissemination of International information within the GT1 SAIs** led for instance to interesting conclusions:

- Most of the SAIs do report on international activity directly to top-level boards, but also have a more informal network of “liaison officers” or representatives (for example, “steering committee” in France).

- Some SAIs developed an interesting way of disseminating good practices, by the means of weekly information points open to all staff (for example Sweden).

- Some SAIs developed useful IT tools enabling full access to all international activity for all their staff (for example Lotus in Hungary).

**Issues at stake**

*How to strive to give sense and meaning to our actions?*

By avoiding excessive time-consuming bureaucracy and spending less time on red tape, we will be able to preserve some flexibility within goals and be proactive to answer the following issues:

- **How shall we clarify the added CB value, EUROSAI brings to INTOSAI?**

- **What is the usefulness of providing many EUROSAI publications (i.e. newsletters or Eurosai Magazine) on multiple formats (website, papers)?**

- **What is the demarcation line between the “knowledge sharing” and “capacity building” concepts since both notions refer to similar actions (i.e seminars on best practices, guides, ISSAI implementations) whilst overlapping the actions undertaken by GT3 in charge of training?**
EUROSAI GOAL TEAM 2–PROFESSIONAL STANDARDS
IMPLEMENTATION OF ISSAI WITHIN EUROSAI

Prof. Dr. Dieter Engels
President of the Bundesrechnungshof (German SAI)
Chair of EUROSAI Goal Team 2 “Professional Standards”

The tasks of Goal Team 2 “Professional Standards” are:

1. To raise awareness of the ISSAI and INTOSAI GOV.

2. To support EUROSAI Members in implementing these standards.

3. To contribute to the further development of the ISSAI and INTOSAI GOV.

Since its constituent meeting in October 2011, Goal Team 2 has taken several steps towards the achievement of these tasks. Emphasis was laid on the translation of the ISSAI into Russian, which was kindly provided by the SAI of the Russian Federation. With the launch of the new EUROSAI website, Goal Team 2 has published the first Russian translations of the ISSAI (cf. ISSAI-Spotlight [1]).

To assist EUROSAI Members in implementing the ISSAI, Goal Team 2 supports the “ISSAI Implementation Initiative” of the INTOSAI Development Initiative (IDI), the “3i-Programme”. The EUROSAI participants in this global programme for introducing ISSAI (the SAIs of Albania, Bosnia and Herzegovina, Georgia, Kazakhstan, the Former Yugoslavian Republic of Macedonia, Moldavia, Serbia, Turkey and Ukraine) signed a Statement of Commitment with EUROSAI and IDI, allocating specific responsibilities to each of them. Goal Team 2 agreed to monitor the progress of the EUROSAI Members in reaching the milestones and took part in the first management workshop in Sarajevo in March 2013.

Seminar on the application of ISSAI to performance auditing

A survey among EUROSAI Members concerning their application of the ISSAI showed that most SAIs need assistance mainly with the implementation of the Level 4 ISSAI and prefer to obtain such assistance by means of workshops, cooperation with other SAIs and guidelines.

Therefore, Goal Team 2 held an initial seminar on the application of the guidelines to performance auditing (ISSAI 300, 3000 and 3100) in December 2013. During the seminar, participants explored as to whether performance audits may be enhanced and refined by applying these ISSAI. The participants looked into this question by means of both basic papers and workshops where case studies were presented. The results of the seminar have been published on the EUROSAI Website.

Cooperation with ECIIA

In 2010, EUROSAI and the European Confederation of Institutes of Internal Auditors (ECIIA) signed an agreement whose implementation is incumbent on Goal Team 2. The project will be led by the Belgian SAI. EUROSAI agreed with ECIIA to focus cooperation efforts on INTOSAI GOV 9150 “Coordination and Cooperation between SAIs and Internal Auditors in the Public Sector”. To this end, an editorial committee was set up on which EUROSAI is represented by the SAIs of Belgium, Germany and Poland. The editorial committee has compiled a collection of documents that describe, analyse or regulate the relationship between SAIs and internal auditors. This collection is designed to provide guidance for applying INTOSAI GOV 9150.

[1] The International Relations Service of the German SAI asked the SAI of the Russian Federation whether the Russian SAI can provide the text for the ISSAI-Spotlight.
Cooperation with the INTOSAI–PSC

Right from the beginning, there has been a close cooperation between Goal Team 2, the INTOSAI Professional Standards Committee (PSC) and its subcommittees. In 2013, representatives of Goal Team 2 for the first time ever attended a meeting of the PSC Steering Committee. After the harmonization of Level 3 ISSAI (cf. ISSAI-Spotlight in Magazine N°18/2012), the PSC is planning the next large-scale project: the restructuring of standard-setting within INTOSAI. One of the options discussed is the creation of an ISSAI Board which may be supported by a Secretariat with permanent staff. The objective of such a new structure is to optimise the procedures for drafting and maintaining the ISSAI and for enhancing their professionalism.

In the course of cooperation with INTOSAI’s PSC and its subcommittees, Goal Team 2 also encouraged the EUROSAI Members to comment on the exposure drafts of new and revised ISSAI and INTOSAI GOV, that were prepared preliminary to XXI INCOSAI, thus in an effort to contribute to the further development of the INTOSAI Standards.
EUROSAI GOAL TEAM 3—KNOWLEDGE SHARING

KNOWLEDGE SHARING WITHIN EUROSAI AND INTOSAI

Miloslav Kala
President of the Supreme Audit Office of the Czech Republic.
Chair of EUROSAI Goal Team 3 “Knowledge Sharing”

Brief recapitulation

Goal Team 3’s main responsibility defined in the EUROSAI Strategic Plan for 2011-2017 is to encourage cooperation and exchanging of experience among EUROSAI Members, within INTOSAI and with external partners.

GT 3 chaired by the SAI of the Czech Republic is composed of 8 members: SAIs of Austria, Belgium, Estonia, Former Yugoslav Republic of Macedonia, Hungary, Lithuania, Poland, the Slovak Republic, 4 ex-officio members: SAIs of Norway (WG on Environmental Audit), Portugal (TF for Audit and Ethics), Switzerland (WG on Information Technologies), Ukraine (TF on Audit of Funds to Catastrophes and Disasters), and 1 invited expert: SAI of Spain.

First steps

First year of the implementation of the EUROSAI Strategic Plan within GT 3 was mainly dedicated to:

- Establishing GT 3 and its subgroups.
- Drafting of the Terms of Reference for GT 3, Operational Plan and Annual Report which summarised work accomplished by the team to achieve its strategic goal.

The EUROSAI Governing Board approved at its XXXIX Meeting in Ankara in May 2012, GT 3 Terms of Reference and the Operational Plan. The Governing Board also endorsed GT 3 Annual Report.

Progress within the 1st year

Immediately after its establishment, GT 3 started to operate and has already seen the first results of its efforts:

Implementation Strategy 3.1:
Enhance the use/implementation of the results of the work produced by individual SAIs, EUROSAI and INTOSAI Committees and WGs as a tool for cooperation.

Main results achieved:

- A list of existing databases of audits conducted by the EUROSAI members and existing products of INTOSAI and EUROSAI WGs and Committees was created.
- A list of questions regarding the new database of audits conducted was developed.
- Possibilities for marketing EUROSAI products and tools were identified.
- Many seminars and other training activities were organised, some of them under the auspices and with financial support of EUROSAI.

Implementation Strategy 3.2:
Enhance audit cooperation within EUROSAI.

Main results achieved:

- GT 3 survey on internships and staff secondments was launched (SAI of Poland as a project leader).
- GT 3 survey on cooperative activities was launched (Czech SAI as a project leader).

Implementation Strategy 3.3:
Enhance cooperation within INTOSAI.
Main results achieved:

- Further areas for cooperation within INTOSAI were identified.
- New partnerships with INTOSAI Regional Working Groups were considered.

**Implementation Strategy 3.4:**
Enhance cooperation with external partners.

Main results achieved:

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

**Progress within the 2nd year**

Whereas the first year was mainly dedicated to establishing GT3 and its subgroups and to drafting its fundamental documents, in the second year GT3 already achieved first concrete and visible results.

**Implementation Strategy 3.1:**
Enhance the use/implementation of the results of the work produced by individual SAIs, EUROSAI and INTOSAI Committees and WGs as a tool for cooperation.

Main results achieved:

- Existing databases were identified and first draft of audit database structure was designed.
- Existing products and tools were identified and first draft of product database was designed.
- Several training activities were organised.
- Update of Practical guide for organising training events was prepared.
- Marketing activities to improve the level of awareness of useable products were identified.
Main expected results for the future:

- The databases of audits conducted by the EUROSAI members in different fields are established and placed on the EUROSAI website.
- Level of awareness of useable products and tools is increased.
- Training events/knowledge sharing seminars carried out within EUROSAI are promoted.

Implementation Strategy 3.2:
Enhance audit cooperation within EUROSAI.

Main results achieved:

- Questionnaire on possible areas for cooperative activities and needs of SAIs was conducted with purpose to get an overview of already executed cooperative audits and to identify areas for regional or sub-regional cooperative activities and needs of SAIs. The results of the questionnaire were published on the EUROSAI website in the section Surveys.
- Survey on internships and staff secondments was conducted with purpose to create a list of proposed marketing methods and tools leading to an increased number of EUROSAI internships and staff secondments. The results of the survey were published on the EUROSAI website in the section Surveys.

Main expected results for the future:

- Increased number of cooperative audits within EUROSAI.
- Increased number of EUROSAI members who have organised internships or staff secondments.

Implementation Strategy 3.3:
Enhance cooperation within INTOSAI.

Based on thorough consideration and discussions during the last meetings of GT3 and GT4, it was agreed that the third Implementation Strategy overlaps with GT4 Operational Plan. Therefore, it was decided that the activity will be developed by GT4 under point 4.1.4. Identify value and benefits of interaction within INTOSAI.

For the future, the number of cooperation projects with INTOSAI and its Regional Working Groups and bodies should increase.

Implementation Strategy 3.4:
Enhance cooperation with external partners.

As the previous Implementation Strategy also this activity overlaps with GT4 Operational Plan, specifically with the tasks of the subgroup for communication and sustainability, therefore will be developed by GT4 mainly.

For the future, the number of partnerships with external partners should increase.

Further steps

The third GT3 meeting will take place in the Czech Republic in November 2013. During the meeting the future activities concerning creating of audit database, product database and training database, marketing tools of EUROSAI products, training, financing and cooperative audits will be discussed. The update of GT3 operational plan will be deliberated upon as well.
EUROSAI GOAL TEAM 4—GOVERNANCE AND COMMUNICATION

The SAI of Portugal
Chair of EUROSAI Goal Team 4 “Governance and Communication”

I. Implementation of the EUROSAI Strategic Plan 2011-2017: from planning to results

During 2012-2013, EUROSAI activities ran well and, although some strategies are a bit late towards what was planned, their success is not compromised. Moreover, strategies included in the EUROSAI Strategic Plan (ESP) are producing most of the planned results.

EUROSAI Goal Teams implemented 82% of the activities they had planned in their Operational Plans. 18% of tasks were not executed as envisaged, mainly because it was concluded that they were not actually needed or that they should be rethought, because there were overlaps to be solved or because there was a need for wider consultations before conclusion and approval.

Regarding the outcomes established to be achieved during the period 2011-2017 (66 outcomes), one must highlight that, after only two years of implementation, 20% of the outcomes established are completed and 51% are in due course of implementation. The whole of the EUROSAI bodies contributed to achieve these outcomes.

II. The role of Goal Team 4: advancing the governance framework

Further developments in the ESP governance framework were achieved during 2012-2013.

In this period, the Governing Board approved the EUROSAI Financial Rules (EFR), a document containing the principles, policies and procedures that govern EUROSAI’s financial management.

A crucial milestone occurred by mid-2013, when a totally renewed website – www.eurosai.org – was launched in its English version and, in the following months, in the other official languages.

The website is key for the implementation of the EUROSAI Strategic Plan. Many of the planned activities and tasks depend on the availability and use of electronic communication tools and, so, may be better developed from now on.

An electronic collaboration platform is also important for this purpose. The EUROSAI Governing Board, following an offer from the Netherlands’ SAI (NCA) and the advice of Goal Team 4, agreed that EUROSAI uses PLEIO platform, launched by NCA to prepare next EUROSAI Congress. Thus, EUROSAI bodies, members and their auditors have now also an interactive platform to work and communicate.

The work on the communication tools allowed new cross-cutting issues to be easily recognised. This was the case of the need to articulate databases that are being planned or set up by different groups, in order to avoid overlapping and complexity of information.

Other issues, such as coordinating training, were made easier. In this scope, a specific content to be included in the new EUROSAI website was developed.
III. Achieving outcomes: a continuous governance challenge

The EUROSAI Congress decided that the implementation of the strategic plan 2011-2017 should be evaluated towards the end of the first Congress period in 2014. Based on this evaluation, the IX EUROSAI Congress 2014 may decide to update the Strategic Plan for the second period 2014-2017.

The EUROSAI Governing Board, at its 2013 meeting, has agreed with the scope, criteria and procedures suggested by Goal Team 4 for this midterm review. Goal Team 4 is entrusted with the task of preparing this review, in consultation with EUROSAI Working Groups, Task Forces, Committees and Goal Teams.

The agreed procedure is deemed to ensure that problems already spotted will be duly solved in time and that full accomplishment of ESP outcomes by the end of 2017 will be guaranteed.

The mid-term review of ESP is a challenging task, it will provide findings and recommendations based on the first three years of implementation of the ESP and, furthermore, it may also highlight issues for the development of the next EUROSAI’s Strategic Plan.

IV. Outlook: Goal Team 4’s next activities

GT4 planned activities are mainly meant to address cross cutting issues. Besides others already identified and addressed, GT4 has also recently acknowledged the need of rethinking EUROSAI publications and of promoting the coordination of databases.

Thus, the main activities to be considered in the 2013-2014 period are:

- The complete launching in all the EUROSAI official languages of the new EUROSAI’s Website and the continuous update and dynamic use of it, including the coordination of databases.
- The use of the NCA 2014 Congress electronic platform.
- The development of external cooperation.
- The completion of a proposal for a EUROSAI communication policy.
- The rethinking of the EUROSAI Magazine.
- The encouragement of sustainability in EUROSAI activities.
- The growing financial transparency of EUROSAI by implementing the financial rules and publishing documents.
- The mid-term review of the EUROSAI Strategic Plan (to be prepared for the 2014 Congress).

GT4 will also identify and consider new horizontal issues as they arise.
Seminar on Water Management in Oslo

April 23-24th EUROSAI WGEA arranged its annual topical seminar in Oslo. These seminars aim at concentrating on one environmental topic, with the objective of exchanging knowledge and experience in the chosen field. This year representatives from about 20 SAIs attended the seminar. Based on signals of interest from the members, water management had been chosen as this year’s seminar topic. Water management is a vast field, and this was reflected in the seminar’s program.

Two invited experts gave keynote speeches on the different aspects of water management addressing the challenges to sustainable water management in Europe, covering respectively the ecological status of water sources, cross-sectorial policies as well as the economy of water with today’s systems and policy measures and possible approaches to improve water productivity. In line with focus on ecology and economy, a workshop with parallel sessions was arranged. In the workshop SAIs presented audit experiences under the headings “Auditing Water Management Models” and “Auditing Water Protection Measures and Cross-sectorial Issues. The experiences shared through the workshop were summed up and discussed during a panel debate.

At the seminar, Steven Elstein from the Government Office of Accountability of the United States of America (GAO) joined the participants through video conference. Elstein presented the new INTOSAI WGEA Guidance Paper on Auditing Water Issues, a guidance paper presenting a meta-analysis of methodologies used by SAIs when auditing different water issues, giving the participants new ideas for tools to use during an audit. The Secretariat also arranged a speed-dating session for the participants, an exercise with the objective of identifying possible common starting points for potential cooperation between SAIs on water related issues. The results were further explored in group discussions and a plenary session.

The report meeting report can be downloaded from the EUROSAI WGEA website.

A new training Seminar for EUROSAI WGEA members

A one-day training seminar was conducted for EUROSAI WGA members in Prague, October 14th. The topic of the seminar was Fraud and Corruption Issues when Auditing Environmental and Natural Resource Management. The training seminar was led by Kjell Kristian Dørum from the Office of the Auditor General of Norway. Dørum has been responsible for developing the INTOSAI WGEA guidance paper covering the same topic, and was also responsible for developing the seminar. The seminar introduced the participants to relevant procedures for auditors when doing fraud and corruption risk assessments, identifying issues relating to internal control, and collecting and reporting audit evidence indicating fraud and corruption. 40 participants from 17 countries attended the seminar.
The 11th Annual meeting of the Working Group arranged in Prague

The 11th Annual Meeting of working group on environmental auditing was arranged in Prague, Czech Republic October 15-17. The meeting was opened by Miloslav Kala, President of the Supreme Audit Office of the Czech Republic, the host of this year’s meeting.

The environmental topic for the meeting was Sustainable Land Use. In a one day session, the topic was explored from different perspectives, concentrating on rural land use, urban land use and coastal management. These sub-topics were covered through keynote speeches from the invited speakers Jana Poláková from the Institute for European Environmental Policy, Andrus Meiner from European Environmental Agency and Hugues Ravenel from Le Plan Bleu, respectively. Furthermore parallel sessions on the sub-topics were arranged giving auditors a chance to presents relevant audits and discuss common challenges.

A one day session was also dedicated to the selected cross-topical issue for this year; Validity and Reliability in Qualitative and Quantitative Analyses. Invited guest speaker Dr. Patrick Sieber from the University of Economics, Prague, opened the session with a presentation on Validity and reliability of Social Cost Benefits Analysis results. SAI experiences related to reliability and validity were also addressed with presentations from environmental audits, concentrating on how teams had faced related challenges in their audit analysis. The session also gave room for one-on-one experience sharing between auditors through the means of speed-dating and group discussion.

EUROSAI WGEA workshop during the Young EUROSAI Congress

The EUROSAI WGEA Secretariat arranged a workshop during the Young EUROSAI Congress which took place in Rotterdam, The Netherlands on November 20-22nd. With the objective of sharing information about the work done by WGEA members on environmental auditing, the workshop focused on cooperation between SAIs, and how to exchange knowledge and experience on audit methodology. ■
THE ACTIVITIES OF THE EUROSAI TASK FORCE ON AUDIT & ETHICS

The SAI of Portugal
Chair of the Task Force on Audit & Ethics (TFA&E)

Following the final conclusions and recommendations of the VIII EUROSAI Congress that was held in Lisbon in June 2011, the Governing Board agreed to set up a Task Force to deal with Audit & Ethics (TFA&E).

At present, the following European SAIs are involved in the Task Force: Portugal (chair), Albania, Croatia, Cyprus, European Court of Auditors, Former Yugoslav Republic of Macedonia, France, Hungary, Iceland, Italy, Malta, The Netherlands, Romania, Serbia, Slovenia and Spain. The TFA&E is open to all EUROSAI members and other SAI have already expressed their interest in joining.

The main goals of the TFA&E, approved in its first meeting of 2012, are the following:

- Contribute to raise public confidence in SAIs by supporting the implementation of ISSAI 30 (Code of Ethics).
- Promote ethical conduct in public organisations through the SAI’s activities.

A 2012-2014 Working Plan was also approved including a set of objectives and activities, their implementation schedule and expected results for each of the two goals.

The Task Force has already developed some of the planned activities, namely the setup of a website (http://www.eurosai-tfae.tcontas.pt), a survey to all EUROSAI members, a paper on the results of the survey and a seminar.

The survey was conducted in order to identify both SAI’s ethical framework and practices (regulations, codes, guidance, policies, training and concrete examples of ethics related situations and how to deal with them) as well as audit practices and results concerning the audit of ethics related issues.

The survey’s results were presented at the second meeting of the Task Force, which was held in Dubrovnik, on 4-5 April 2013, and at the 2013 EUROSAI Governing Board meeting. The survey and a report on its detailed results can be found in the Task Force website [1].

As regards its Goal 1 (contribute to raise public confidence in SAIs by supporting the implementation of ISSAI 30), the most relevant results of the survey were the following:

- Within EUROSAI Members, Codes of Conduct are a well spread means of disseminating SAIs values and principles, along with expected behaviours and provisions for misconduct. In half of the European SAIs that informed having a Code of Conduct, that Code includes practical dilemmas and ways to solve them.
- By building knowledge about ethics, SAI should be more able to ascertain their integrity and to prevent unethical conduct. This could contribute to increasing

trust in SAIs. Besides codes of conduct, common ways to raise awareness on ethical values and issues are training sessions or lectures for employees, the use of Intranet and, sometimes, special units to advice on ethical issues.

• Some SAIs regularly work together and exchange information with non-SAI organisations to raise awareness on ethics in the public sector.

• Conflicts of interests (interacting with the independence, objectivity and impartiality of the institution) seem to be the main concern of European SAIs. Many of them put in place policies, routines and procedures to avoid the occurrence of wrongdoing related to this issue.

• SAIs’ human resources management tools usually include ethical concerns, especially in recruitment, performance appraisal and training.

• Written rotation policies are adopted by 41% of the replying SAIs.

• Few SAIs use internal and/or external specific evaluations of their ethical systems. Into-SAINT is one of the tools that can be used for self-evaluations, but only five SAIs report experience with it.

• When considering the ethical infrastructure recommended by OECD, it becomes clear from the answers to the survey that guidance and management functions are, at the moment, much more developed in European SAIs than control function.

Building on these results, the Task Force issued a paper called “Supporting SAI to enhance their ethical infrastructure – a general overview of SAI’s ethical strategies and practices”. This paper identifies why ethics ‘management is important for SAI, recalls ISSAI ethical requirements, describes the main elements of a well-functioning ethics infrastructure and reflects on the main results of the survey, comparing them with those requirements, while simultaneously providing a number of examples of policies, practices and tools that SAI can adopt to fulfil their ethical management obligations.

The paper is available in the Task Force website [2] and printed copies can be asked to Tribunal de Contas (Portugal).


This paper was prepared as the first of several. In the forthcoming papers, the TFA&E will delve deeper into the identified examples, sharing with the European SAI community further details on the practices that can be used to implement ISSAI 30 and other ISSAI ethical requirements, thereby contributing towards the enhancement of SAI ethical infrastructures and the raising of public confidence in SAI.

A seminar will be organised on the same subject, mainly targeted at raising awareness on the ethics management importance and at sharing information and experiences, identifying good practices and discussing views on ethical issues. This seminar will be held on 29-30 January 2014, at Lisbon, and colleagues are encouraged to participate.

Under Goal 1, the Task Force is also preparing a model for training on ethical issues, which SAI will be able to use. Opinions and contributions to this model will be asked from the seminar participants as well as from the delegates to the EUROSAI YES Congress, through interactive workshops prepared for that purpose.

Concerning Goal 2 (promote ethical conduct in public organisations through the SAI’s activities), the replies to the survey allowed the following main observations:

• In the countries of the SAI that replied to the survey, there are usually several institutions assessing ethics related issues other than SAIs corresponding to a large variety of bodies and functions. These institutions and SAI usually cooperate in controlling or preventing corruption and in raising awareness and promoting ethics in the public sector.

• A significant majority of SAI consider that they have the power to audit ethics related issues, even though their legal mandate does not specify that approach.
• Some of the SAI do assess ethics related issues while dealing with financial, compliance and/or performance audits but very few indicate that they perform ethics’ specific audits.

• SAI mention that, while dealing with ethical related issues, they cover transparency, integrity, fraud and prevention of corruption, mainly in decision maker’s behaviour and in procurement processes. Raise public opinion’s awareness and accountability and changes within management practices are identified as the most relevant outcomes of SAI audit activities in this area.

• Just a few SAI declare having specific guidelines or methodology for the assessment of ethics related issues. A majority of SAI consider the usefulness of EUROSAI to provide specific guidance on the assessment of ethics related issues.

• A majority of SAI expressed their interest and readiness to provide information and/or expertise in auditing ethics related issues to other SAI.

The Task Force concluded on the need to further explore this issue, namely by discussing with the EUROSAI community the main challenges that SAI face when auditing integrity issues.

With that discussion as the main objective, a TFA&E seminar about Auditing Ethics was held on 17-18 September 2013, in Luxemburg. This seminar was organised and hosted by the European Court of Auditors.

In a very interactive approach, the participants to this seminar discussed issues such as “why auditing ethics related matters” and “which criteria, methods and tools to use”. These issues were approached either through open discussions or around concrete audit cases and tools presented by selected SAI.

Christoph Demmke, from the European Institute of Public Administration (EIPA), made a keynote presentation on “Understanding, managing and measuring ethics and ethical frameworks” and Inés Ayala Sender, member of the European Parliament, spoke on their perspective about auditing ethics-related issues.

Representatives from ASOSAI and CEPAT/OLACEFS also participated quite actively in this seminar.

The conclusions of this seminar were the following:

• Public ethics/integrity is a subject that deserves to be put in the control agenda of SAI.

• Auditing ethics related subjects fits implicitly in the SAI’s broadly defined audit mandate.

• SAI are in the position of adding value and having impact by facing the challenges of using systemic approaches focused in improving systems, choosing measurable topics and setting agreed criteria.

• SAI would benefit from continued share of experiences and further reflection and guidance on specific standards, measurement criteria and methods and tools to be used in ethics related audits.

Documents of the seminar are available through the TFA&E webpage.

Some of these issues will also be discussed with auditors in the forthcoming YES Congress, in order for the Task Force to get a broader view on this new activity for SAI.

The TFA&E will continue to develop the activities scheduled in its working plan. Its 2014 annual meeting will take place in Bucarest, Romania, in the beginning of April.
ACTIVITIES AND PLANS OF THE EUROSAI TASK FORCE ON THE AUDIT OF FUNDS ALLOCATED TO DISASTERS AND CATASTROPHES

The SAI of Ukraine
Chair of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes

The EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes was established at VII EUROSAI Congress (2008, Krakow, Poland). VIII EUROSAI Congress (2011, Lisbon, Portugal) approved the resolution on extension of the Task Force’s mandate for a three year period.

As for today the Task Force involves 13 full members – the SAIs of Azerbaijan, Armenia, Belarus, Belgium, Bulgaria, Hungary, Kazakhstan, Lithuania, Moldova, Poland, Russian Federation, European Court of Auditors and Ukraine as Chair and 3 observers, namely, the SAIs of Italy, Norway and the Slovak Republic.

Activities of Task Force are realized within the framework of the Work Plan for years 2012-2014 which was presented at the 39th EUROSAI Governing Board’s meeting at Ankara (Turkey) in 2012.

Within its activities the Task Force conducted 5 environmental and emergencies-related audits. Also 3 Drafts Recommendations based on the best practice of conducting audits of funds allocated to prevention and consequences elimination of disasters and catastrophes were developed.

Currently two international audits are being conducted within the Task Force’s framework: the international coordinated audit of the funds allocated to prevention and consequences elimination of disasters and catastrophes (8 SAIs-participants: Azerbaijan, Belarus, Italy, Kazakhstan, Moldova, Poland, Russian Federation and Ukraine) and the international coordinated audit of funds allocated to the prevention and consequences elimination of wildfires (participants: SAIs of Bulgaria, Russian Federation and Ukraine).

Also the Accounting Chamber of Ukraine, as the Task Force Chair, initiated the Audit on the Execution of the Convention on cooperation for the protection and sustainable use of the River Danube as the first stage of the coordinated audit on protection of the Black Sea catchment against pollution. The audits on prevention against pollution of the catchment areas of the Dnieper and Don rivers will be further steps within this work. As a result, these activities shall allow us to examine the problem of pollution of the Black Sea basin and to develop respective recommendations.

The Task Force’s planned activities also include conducting the joint follow-up audit on implementation of the recommendations of parallel audit on “the Protection of the waters in the Bug River’s catchment area against pollution” involving the SAIs of Belarus, Poland and Ukraine.

Annually the Task Force conducts meetings in order to plan effectively its activity. The next 6th meeting will be held on March 31-April 2, 2014, in Lviv (Ukraine). At the meeting the results of the TF’s activities will be summarized and the Final Draft of Recommendations based on the best practice of conducting audits of funds allocated to prevention and the consequences elimination of disasters and catastrophes will be approved.

The Task Force’s mandate comes to an end in 2014. At the meeting of the EUROSAI Governing Board (May 31, 2013, Brussels, Belgium) Roman Maguta, the Chairman of the Accounting Chamber of Ukraine, initiated to transform the Task Force into the Working Group. According to numerous studies a number of disasters is increasing as a result the public expenditures allocated to their consequences elimination are increasing. Taking into account the urgency of this topic, a need for a close examination of this problem is rising and one of the key activity of WG will be the implementation of the ISSAIs in European region.
The idea behind

EUROSAI held its VII Congress in Krakow in 2008. One of the themes discussed was ‘Establishing an audit quality management system within a Supreme Audit Institution’. As the discussion paper prepared for the topic pointed out: ‘A sound audit quality management system provides the framework to an SAI for ensuring that its legal obligations and strategic goals are being consistently monitored and met; that all staff adhere to core values and principles; that the work carried out conforms to accepted internal practices and international professional standards; and that the output produced provides added value to audited organisations and adequately meets stakeholders’ expectations.’ [1]

The Theme Session resulted in highly interesting presentations and lively discussions, which made it clear that all participating EUROSAI members are concerned about audit quality issues but audit quality management practices vary considerably from country to country. Consequently, the Congress mandated an international working group to draft a good practices guide on audit quality. The working group was established in 2008, under the leadership of the State Audit Office of Hungary (SAO). Its members included experts from the Supreme Audit Institutions of Denmark, Malta, Poland and the Russian Federation, as well as from the European Court of Auditors.

[1] Establishing an audit quality management system within a Supreme Audit Institution. Prepared by the State Audit Office, Hungary (chair), the European Court of Auditors, the National Audit Office of Malta, the National Audit Office of Denmark, the Accounts Chamber of the Russian Federation. February, 2008.

The activities of the Working Group

In order to fulfil its mandate, the working group first identified a list of topics suitable for inclusion in the good practices guide, mainly based on the country papers submitted to the VII EUROSAI Congress. During the elaboration of the individual topics, they also contacted a sample of non-EUROSAI SAIs and asked them to provide examples of good practices in the selected areas.

On the above basis a document was prepared, setting out various good practices covering many topics considered highly relevant to improve quality. The aim of the document was to provide a user-friendly tool for the senior management of SAIs to establish, operate and improve a quality management system.

Since all members of the working group were representatives of ‘audit office’ type SAIs, they considered it important to receive inputs from ‘court-of-audit’ type SAIs as well, which may have different experience and practices. Therefore, as a next step, the good practices guide was circulated to ‘court-of-audit’ type EUROSAI members and their comments had been also incorporated in the document.

Finally, the guide was also circulated—as part of the written approval procedure—as part of the written approval procedure—to all EUROSAI members. In the few comments received, most member SAIs expressed their agreement with the document and only six made general or more concrete remarks. All comments and recommendations were discussed in the course of a working group meeting in April 2010, and after due consideration thereof, the document entitled ‘Achieving Audit Quality: Good Practices in Managing Quality within SAIs’ was finalised.
The Guide is aimed at the senior management of SAIs, therefore this concise paper did not make it possible to present existing good practices in details. Moreover, the information included in the good practices guide may also become outdated over time. For this reason, the idea occurred to establish an Electronic Good Practices Database, which would contain good practices of EUROSAI member SAIs submitted in a uniform template and it was decided to examine the possibility to establish this database on the website of the State Audit Office of Hungary.

Electronic Good Practices Database

Formally, the EUROSAI Governing Board (GB) approved the guide by consensus in its XXXVI meeting held in Madrid in 2010, and asked the Secretary General to make it available on the EUROSAI website. At the same time, the representative of the State Audit Office of Hungary informed the GB that SAO volunteers to operate the Electronic Database on Good Practices on its website and requested a new mandate for the Working Group. The mandate was extended for an additional six years (until 2017) and the Working Group continued its activities under the name ‘Monitoring Committee for setting up and operating the Electronic Database on Good Practices’.

Following the necessary IT developments, the database was set up and launched in June 2011. It is available directly from SAO’s English-language website (http://www.asz.hu/en/good-practices) and it can be also reached via the EUROSAI website (http://www.eurosai.org/en/working-groups/monitoring-committee-good-practices-on-audit-quality/).

Good practices are collected by means of a template, therefore they are available in a uniform and concise way, which facilitates the orientation of users in the database and the search for specific examples. The pieces of good practices are listed under several categories by countries, Good Practices Guide topics, as well as ISSAI 40 [2] /ISQC 1 [3] elements. All these aspects are merged into a Good Practices Matrix, where each piece of good practice is listed under the corresponding matrix cell.

The EUROSAI Electronic Good Practices Database on Audit Quality on SAO’s website

\[
\begin{array}{|c|c|c|c|c|}
\hline
\text{ISSAI elements} & \text{Leadership Responsibilities for Quality within the Firm} & \text{Relevant Ethical Requirements} & \text{Acceptance and Continuance of Client Relationships and Specific Engagements} & \text{Human Resources} & \text{Engagement Performance} & \text{Monitoring} \\
\hline
\text{GP Categories} & & & & & & \\
\hline
\text{Governance} & & & & & & \\
\text{Risk Management System} & & & & AZ & AZ & \\
\text{Performance Indicators} & & & & AZ & AZ & \\
\text{Self-Assessment of the Organisation} & & & & & & \\
\text{Peer Review} & RUS SK & & & & & \\
\text{Other GPs connected to governance} & H & & & & DK & \\
\hline
\text{Audit Matters} & & & & & & \\
\text{Selection of Audit Tasks} & SK & & & & & \\
\text{Supporting the Audit Process} & SK & & & DK & GB M & \\
\text{Cooperation with the Auditee during the Audit Process} & SK & DK & & & M & \\
\text{Monitoring Audit Impact} & SK & & AZ & & AZ & \\
\text{Quality Review of Completed Audits} & SK & & AZ & DK & & \\
\text{Other GPs connected to professional audit work} & H & & & GB LV RUS UA & & DK \\
\hline
\end{array}
\]
of good practice is shown in a chart, classified under both the Good Practices Guide topics and the relevant ISSAI 40/ISQC 1 element.

Monitoring Committee for setting up and operating the Electronic Database on Good Practices

Since the set-up of the Monitoring Committee, the State Audit Office of Hungary has been in contact both with the members and the EUROSAI Secretariat and has been regularly reporting to the EUROSAI Governing Board. Members keep contact in writing, no formal meetings are held.

Monitoring Committee members are contacted each year and they are requested to send their updates, ideas, suggestions, or relevant good practices. The EUROSAI Secretariat is also contacted each year and requested to circulate a call for good practices amongst the Member States.

Current state of play

Currently 18 pieces of good practices are available in the database from 9 different countries in various topics ranging from performance reviews to communication, from hiring external expertise to exit interviews. Also, the template to be filled in and a guide with further instructions are available on SAO’s website.

EUROSAI’s Goal Team 1 (‘Capacity Building’), chaired by the SAI of France, circulated the document ‘EUROSAI Innovations: Sharing good practices among Supreme Audit Institutions’ in April 2013. The document was consulted by SAO and based on that several SAIs were contacted and requested to fill in a template on the basis of their innovative solutions presented in the booklet. Also, SAO published a short piece of writing on the Database itself in the document.

EUROSAI’s Task Force on Audit and Ethics was also contacted directly, as ‘Relevant Ethical Requirements’ represent an important ISSAI element. Task Force members were encouraged to send their pieces of good practices in the form of standardised templates.

With these present steps SAO hopes to collect and share as many good practices as possible in order for the EUROSAI Community to benefit from. Contributions, questions and requests are always welcome at international@asz.hu.
ENTITY/CITIZEN-CENTRIC MODELS: ELECTRONIC SERVICES TO ADDRESS THE INTERNAL CONTROL OF ACCOUNTS IN THE PORTUGUESE COURT OF AUDITORS

The SAI of Portugal. Presidency of EUROSAI

Challenges and environment

In today’s economic and social environments, public entities are struggling with how to do more with less. These entities are continuously pressured to provide more and better services to their constituencies.

✧ Public entities are continuously pressured to provide more and better services to their constituencies ✧

This demand for new and increased services creates pressure over IT to deliver these services in order to support the desired growth. This pressure can have internal and/or external origins, but the end result is always the same, namely service improvement. For example:

- The Public Administrative Sector (PAS) entities under the control and jurisdiction of the Court expect a response to requests for electronic exchanges of information.

- Employees need better access to more information, as well as more flexible ways to share it.

- Managers expect to receive summary information, able to withstand the operational decision-making and strategic.

The Court of Auditors towards: governance, risk, compliance, quality management

Following this context, we can identify several factors, coming from technological, legal or organizational ‘quadrants’:

- Complex business models: the emergence of e-governance, e-procurement, electronic service delivery, that, when impaired with the exponential grow of information in a myriad of formats, increase the risk of losing evidence.

- Constant change and growth of regulatory guidelines and compliance demands.

✧ This demand for new and increased services creates pressure over IT to deliver these services in order to support the desired growth ✧

- Risk identification: assess the nature of business risk, given the dynamic regulatory environment and the complex inter-connectedness of business functionalities.

- Monitoring and remediation activities.

- Information sharing and communication (throughout the SAI’s and towards the implementation of audit frameworks or the control of accounts).

- Reporting and record keeping (information is retained and retrievable for prescribed periods).

In today’s world, these constraints and new services are often addressed in the form of new applications, such as
In today’s world, these new services are often addressed in the form of new applications that can have a direct impact on the entities’ activity.

an electronic service to address the internal control of accounts of the PAS entities. Whether for web or mobile access, or for social networking or business intelligence, these new applications can have a direct impact on the entities’ activity.

Digital interactions with Public Sector entities to conduct the control of their accounts

Meeting the challenges listed above prompted the Portuguese Court of Auditors to explore new sustainable models for service delivery – models that can significantly improve customer experience and outcomes through enhanced service levels at the same or reduced cost.

The move was made in the area of control of accounts of the PAS entities, which must be rendered to the Court each economic year: a competence of successive control, based on the analysis and checking of the accounts only for numeric statement of operations that comprise the debit and credit of the revenue and expenditure account, and with evidence of the opening and closing balances. The solution was found through the development of an entity/citizen-centric model, providing a single access point to information and service transactions.

The modeling approaches led to a fundamental division in two subsystems, based on technologies and target audience:

- The front office, definitely ‘turned’ to the Public Administrative Sector (PAS) entities, who now communicate and interact with the Court via the Internet with graphical user interfaces (GUI), automated web-services or messaging to exchange documents and data.
- The electronic record-keeping subsystem, which acts as ‘back office,’ which will incorporate the information produced by the first.

The following graph shows the distribution of the target entities, by area and by type, supported on this front office:

Delivery model

The new operating model aggregates and manages since the design stages six core challenges:

- A unique software solution, shared by all, that ensures that processes, documents, and policies are simple to understand, follow and execute.
- A common technical infrastructure, robust and scalable, endowed with the most advanced security mechanisms, authentication, confidentiality, and data integrity.
- Standardization of processes, to drive out efficiencies of approach and avoid the need for customization or local/regional variations.
• Improved customer experience, providing on-line monitoring of the documental and technical interactions taken by the Court of Auditors during the analysis and control of the accounts.

• Lower cost, more quality (automated validation tests scan the data to find errors or deficiencies) and timeliness.

• Interfaces based on open formats (XML with public schemas) capable of receiving data directly from administrative and financial management applications (ERP’s), already in use by the entity.

They are integrated in the frontline services visible for the customer, as we can see in the following component diagram:

Includes a consistent and standard process to prepare and submit the account by the PAS entity to the Court of Auditors:

Current Status

The year 2008 marked the start of the application, covering local and central administration. Two years later followed embassies and consulates of the Ministry of Foreign Affairs.

In the year 2012 the use of the electronic application became compulsory for those entities. And, this year, the application reached coverage of about 90% among the PAS entities.
The temporal evolution of the accounts submitted, as well as the growth rate (in %) against the equivalent period can be seen next:

**Evolution of accounts submitted**

<table>
<thead>
<tr>
<th>Year</th>
<th>Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>3,000</td>
</tr>
<tr>
<td>2009</td>
<td>2,500</td>
</tr>
<tr>
<td>2010</td>
<td>2,000</td>
</tr>
<tr>
<td>2011</td>
<td>1,500</td>
</tr>
<tr>
<td>2012</td>
<td>1,000</td>
</tr>
<tr>
<td>2013</td>
<td>500</td>
</tr>
<tr>
<td>2014</td>
<td>0</td>
</tr>
</tbody>
</table>

**Growth rate (in %) against the equivalent period**

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>86.11</td>
</tr>
<tr>
<td>2009</td>
<td>51.02</td>
</tr>
<tr>
<td>2010</td>
<td>32.26</td>
</tr>
<tr>
<td>2011</td>
<td>34.44</td>
</tr>
<tr>
<td>2012</td>
<td>80.67</td>
</tr>
<tr>
<td>2013</td>
<td>30.41</td>
</tr>
</tbody>
</table>

**Future developments**

The IT strategic Plan for the period of 2014-2016 reinforced the concept of transforming the citizen experience with the Court of Auditors: transforming services delivery through a ‘One Stop Shop’, capable of covering all areas of supervision and control. So, in a three-year period we will surely attend exciting times in the development and implementation of actions related with:

- A priori control.
- Concomitant control.
- Successive control (namely extending the electronic service that addresses the control of accounts to the State Owned Company Sector).
- Financial liabilities enforcement.
1. Introduction

Auditors play significant roles of examination, analysis, comparison and detection of errors; however, there are other roles they are expected to play such as counselling and guidance. Auditors are now expected to employ an audit approach that serves to the good functioning of public entities, extends good practices and eradicates the possibilities of error. To achieve this, the professional technical knowledge of the audit personnel needs to be enhanced both theoretically and practically. In this context, the Turkish Court of Accounts (TCA) corresponded with the public and private universities in Turkey and called them to include a separate audit course in their curriculums, which covers the audit theory, audit types and strategy, including the humanitarian aspects of the audit such as communication, psychology, etc.

The TCA top management has been encouraging the professional personnel to avail themselves of every training opportunities and 15% of the professional personnel is now attending in master's and doctoral programs.

2. Strengthening Institutional Capacity and Increasing Professional Competencies

The TCA is performing its audit and reporting functions in line with the generally accepted international auditing standards. The TCA has now a wider audit scope and more responsibilities in terms of audit types and objectives. Therefore, it desires to enhance its institutional capacity and the professional competencies of its staff in order to conduct audits in a fair, reliable, unbiased and objective manner. To that end, the TCA aims at training personnel, who have adopted the audit culture and aspire to improve constantly their knowledge and skills such as analytical and innovative thinking, teamwork and collaboration. The TCA top management has been encouraging the professional personnel to avail themselves of every training opportunity and particularly, to attend to master's programs. With the support of the management, 15% of the professional personnel either has master’s or doctoral degrees, or is attending such programs. Completing such programs adds additional contribution to their professional career and promotion. Moreover, to promote the professional development of the staff, the Audit Development and Training Centre of the TCA has been established.

3. TCA–University Cooperation

Partnership with the universities is considered as one of the means of fulfilling the duties and responsibilities of the TCA in a sound and effective manner.

With the enactment of the new TCA Law in line with the principal law governing the Turkish financial management system, the TCA will lead the public entities, provide recommendations for good governance and work in cooperation with the entities, in parallel to the new management understanding.
A formal letter of the TCA President was circulated to all the public and private universities, through which the necessity and vitality of inclusion of an “audit course” in the graduate, post-graduate and doctoral programs was stressed. Besides, the commitment to provide all kinds of support to the programs related to audit was also expressed in this letter.

The interest of universities was higher than expected. In reply to the letter, the universities informed as to their current practices. The TCA also received from Gazi University a proposal to establish a partnership in launching a new master’s program under the title “Auditing in Public Management” within the Public Administration Department of the Social Sciences Institute. To open a post-graduate program related to public audit, a protocol was signed between the TCA and Gazi University following the discussions with the Deanship of the Faculty of Economics and Administrative Sciences and the Department of the Social Sciences.

4. Master’s Program on Auditing in Public Management

The content of the course was prepared in a manner to train audit professionals and managers in the audit sector, who have effective communication and personal skills and aims at continuous personal development with the sense of social responsibility. In developing the courses and their contents, the opinions and recommendations of the TCA auditors were also received and communicated to the Institute. The Institute finalized the program design and with the approval of the TCA, launched the program in February of the 2013-2014 term with the participation of 15 personnel from the TCA and the audit professionals from other public entities.

To achieve the audit objectives and render the audit effective, an auditor should understand the attitudes and behaviours of the personnel at auditees, besides having necessary knowledge and skills on accounting, reporting, financial management, audit theory, etc. Having such an understanding helps auditor communicate with them in a better and effective way. This requires an auditor to have knowledge and skills in effective communication, emotional intelligence, stress and anger management, decision-making, problem solving, persuasive skill, teamwork, personality types, adult learning and characteristics, etc.

The program is designed to include the following courses: Audit Theory and Types, Strategic Management and Audit, Accounting and Auditing Standards and Implementation, Audit Psychology, Communication Methods and Skills in Auditing, Auditing and Ethics, Accountability in Public Management and Public Loss, Principles of Administrative Correspondence and Reporting Techniques, Administrative Jurisdiction and Case Studies, Turkish Public Personnel System, Public Financial Management and Expenditure Analysis, Internal Control and Internal Audit Practices in the Public Sector, Crimes Committed to Gain Financial Benefits.

The program is ongoing and the participants are encouraged to pursue doctoral studies in the same area.

5. Aims of the Master’s Program on Auditing in Public Management

A well-functioning and accountable public management can only be achieved with the help of the audit units, which are attuned to changing technology and equipped with competent and qualified human resources. Training helps public entities and officials develop themselves and adapt quickly to the changes. This program aims at training audit managers, who have the trait of analytical thinking, adapt themselves to changing conditions and are in pursuit of continuous learning.

The overall aims of the program are as follows:

1. To attract the attention of the academicians and universities to the field of auditing and encourage...
them to study in this field, to contribute in the development of audit theory.

2. To help audit professionals communicate effectively, develop their professional competencies and understand the sociological and psychological conditions of the auditees and their personnel, respectively.

3. To provide scientific contribution to the professional capacity-building of audit entities.

4. To ensure that the personnel of the auditees have an understanding of auditing.

This program has created the opportunity of training auditors, who will contribute to the academic works, train specialized audit workforce, contribute to the development of national auditing standards, meet the training needs of the audited entities and are good communicators.

6. Conclusion

Forging partnership with the universities adds value to the SAIs in their endeavours of achieving further improvement. It is particularly meaningful in the cases of institutional capacity building and the efforts for enhancing the professional competencies of auditors.

You can consult the extended version of this article (in its original language) here:

THE ADVISING APPROACH OF A SAI

Dr. Bujar Leskaj
Chairman of the SAI of Albania

In terms of increased constraints in getting to economic resources, especially the ones used by the public sector, taxpayers throughout countries are questioning: How can the management of public assets be designed in a more efficient and effective way? For auditors of supreme audit institutions around the globe, this question is already on the agenda of the day. The audit of public functions is a precondition to elaborate solutions and proposals, aiming to enhance the efficiency and effectiveness of government management. These are more or less, the words with which Dr. Josef Moser, Secretary General of INTOSAI began his speech during the 22nd Symposium of INTOSAI, held in Vienna.

The modern and effective approach of a supreme audit institution (SAI), by serving good governance principles, is not limited to the audit function alone. The simple identification of infringements and deficiencies is no longer sufficient for a SAI. Such institution can fully realize its potential, if it develops a thorough advisory approach in its audits, offering to government managers specific, practical, detailed and scientific recommendations that can and should be implemented in the respective areas of public administration. In fact, the INTOSAI standards emphasize explicitly the provision of recommendations, in order to improve public functions, but without interfering in the formulation of objectives, strategies and policies. By addressing audit topics, which have an impact on the future of the country, a SAI should cover all important economic areas, including financial effectiveness of using public funds, educational systems, health and pensions, environmental protection, poverty reduction, sustainable development of the country, etc.

In our country, it is the responsibility of the Albanian SAI (ALSAI), to provide transparency and accountability through its audits, as well as to promote effectiveness and efficiency by its recommendations. According to the World Bank, over one thousand billion dollars a year are lost worldwide because of corruption. In Albania, for the year 2012, this figure exceeded 90 million Euros, according to ALSAI statistics. In my personal opinion and that of my institution, the cost of corruption is not just merely theft of public funds; the true cost is the sabotage of future, expressed in less hospitals, schools, water, roads and electricity. And it is not only that. The ability of a country to attract foreign investments, build-up professional human resources, facilitate trade and increase the wealth and well-being, depends critically on the transparency, efficiency and effectiveness of public institutions. Key parameter of good governance of these institutions is the increase of citizen’s participation in the development and decision making. Three pillars of sustainable development are economic growth, social development and environmental protection. It is not excessive, it is even necessary, to add a fourth to these three pillars, the one of good governance. The latter strengthens the link between the first three pillars and ensures that the future we want might soon become reality. The SAIs belong to this pillar. By performing the three types of audits, the two traditional ones and the newly consolidated one, ALSAI guarantees the rule of law, fairness and accuracy of financial statements and the efficient, effective and economic management of public funds. In the future, we may add to this institutional agenda other types of audits, as the audit of information systems.

Ensuring positive impact through counseling

The notion that I present in this paragraph, is to ensure impact, because I do believe that the purpose of the existence of a SAI, I would say even of any
public institution, is to ensure a positive impact on the functioning of government in general and of public services in particular. This is a challenge, as well as a great opportunity. The potential risk that occurs in such cases is that of a SAI that generates brilliant recommendations, but is not heard from anyone. We in ALSAI keep the distance, aim to be objective and do not wish to become part of the design or implementation of policies. We do all this because we want to be as reliable and impartial as possible. But again, how can we realize the impact? First, by keeping in mind that the SAIs, by not being part of political decision-making, still remain “owners” of accountability. To be more precise, “co-owner” along with other public authorities. The problem faced by such institutions not only in Albania, but everywhere, is that they are not heard enough. ALSAI carries out good audits, appropriate conclusions are drawn and practical value recommendations are given.

However, the impact is not at the aimed levels. I think it is time to reform the way of communication with stakeholders. It is not enough just to inform, but also to get feedback from our partners.

Communication between public institutions and society is one of the pillars of democracy. The co-governance between the citizens and their government should be informed, in order to take appropriate decisions. In a democratic society, citizens are governing through the public servants. Information from the audits of ALSAI represents a database that society needs to absorb, for a successful public decision making. We should try to have an impact in a democratic society, by making the Auditees associates in our work. If we succeed through our work to make stakeholders take the gauge of our audit the results, then they will be more willing to internalize our recommendations, into their daily work. The principle is simple: People are really involved when they feel they are helping and not only penalized in their work. As an illustration of the Albanian reality, let’s bring the most recent audit conducted by our Department of Performance Audit on Albanian Railways, which is a State owned service. The findings from this audit clearly show that the expectances of users of this type of transportation, goes to the contrary with the service and development policies of the railway system. The resources allocated for the maintenance of railway infrastructure are not sufficient and are leading to further degradation of this network. The infrastructure maintenance requires more funds, no measures are taken for the rehabilitation of railway network, the sector of railway transportation is not developed and no investments are made for its maintenance and improvement of infrastructure. Under these conditions, the railway could not have a future, as the generated income does not cover the necessary costs to put this service into function. In front of such case, ALSAI gave advisory recommendations, aiming to the improvement of the service provided by this type of transportation. In recommending such, the ALSAI found the understanding of Railway managers. Our counseling will further contribute in drawing attention and incitement towards a sector which is almost forgotten by the actual decision-making.

Information from the audits of ALSAI represents a database that society needs to absorb, for a successful public decision making. We should try to have an impact in a democratic society, by making the Auditees associates in our work.
As regional cooperation between countries develops, ever new tasks arise for the supreme audit institutions of the participating countries, connected, among others, with control over execution of the mutual obligations based on the current agreements.

A prime example of such an activity is the creation and development of the Customs Union of Belarus, Kazakhstan and Russia, which is one of the main directions of strengthening regional cooperation of the three countries. Taking into consideration the growing competition at the world markets, the entrepreneurial community and political leadership of the Customs Union countries are aware of the need of a deeper commercial and economic integration that will create socio-economic prerequisites of the overall progressive advance of the countries as a whole.

The Customs Union of Belarus, Kazakhstan and Russia has been functioning since July 1, 2010, when the Customs Code started being applied on the territory of Russia and Kazakhstan, and on July 6, 2010, the Customs Code came into effect on the whole territory of the Customs Union.

In compliance with the Agreement on establishment and application in Customs Union of the procedure for transfer and distribution of import customs duties (other duties, the taxes and fees having equivalent action), the supreme audit institutions of Belarus, Russia and Kazakhstan must perform the audit of observance of the provisions of said Agreement by the authorized bodies of the three countries every year in the frame of joint control activities.

Organizational and methodological features of the audit

The audit performed became the first control activity of its kind. With this and also unique trilateral format of the audit in view, it was necessary to preliminarily align methods, methodology and organizational features for proper auditing.

The creation and development of the Customs Union of Belarus, Kazakhstan and Russia is one of the main directions of strengthening regional cooperation of the three countries.

So, in late May 2012, a united expert group created for alignment and performance of the joint audit for the period of 2010-2011 met in Moscow. For comprehensive elaboration of all the issues, representatives of the Ministries of Finance, customs and treasury bodies of the three countries, as well as the Eurasian Economic Commission (a standing supranational regulatory authority of the Customs Union) also took part in the work of the expert group.

The united expert group conducted the audit at the entities in three stages, during two weeks in each country, within the period from September to November 2012. The results of each audit stage were summarized.

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[1] On the 20th November 2013, Ms. Tatyana A. Golikova was appointed Chairman of the Accounts Chamber of the Russian Federation.
Audit summary

The results of the thorough work of the experts of the three countries, continued for more than five months, were summed up on February 28, 2013 at the joint session of the three SAIs’ leadership.

The following representatives took part in the session: on the Belarussian side—the representatives of the Chief State Treasury of the Ministry of Finance and the State Customs Committee; on the Russian side—the representatives of the Federal Treasury, the Federal Customs Service and the Ministry of Finance; and also the representatives of the Eurasian Economic Commission.

Chairmen of the SAIs of Russia, Belarus and Kazakhstan addressed the meeting with opening speeches.

I.V. Vasilyev, Auditor of the Accounts Chamber of the Russian Federation and A.B. Zeynelgabdin, Member of the Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan, presented their reports on the results of the control activity. The representatives of the Federal Treasury, the Federal Customs Service of Russia, the Chief State Treasury of the Ministry of Finance of the Republic of Belarus and the State Customs Committee of the Republic of Belarus also expressed their opinions on the audit results.

In their reports, the speakers noted the importance of further convergence of tax, banking, criminal and civil legislations, and harmonization of excise policy of the three countries. These recommendations have been partly implemented, which proves the countries’ aspiration to deeper integration.

The audit results showed that, as a whole, the mechanisms ensuring the execution of the Agreement work and this refers in full to the procedure of transfer and distribution of import customs duties in the Customs Union, and to the provision of transparency and verifiability of the reported data. It was decided to promptly remove certain shortcomings revealed during the audits, which are mainly connected with the transitional period of the formation of the Customs Union.

Based on the results of the joint session, the parties approved the joint trilateral report on the audit results that was forwarded to the governments of the Republic of Belarus, the Republic of Kazakhstan, the Russian Federation and the Eurasian Economic Commission.

The next audit in the trilateral format will take place in autumn 2013. The parties have already agreed that the host party of the next joint session will be the main organizer of the audit and assume a responsibility for the preparation of the draft final audit according to the audit results.
Significance of the audit

The performed audit laid the foundation for subsequent similar control activities, and, given the unique trilateral format of organization, could be of a certain interest for the international community of auditors.

Practical know-how acquired in the course of this audit can be used for improvement of methodological base for performing the joint international control activities.

The SAIs cannot remain uninvolved in the economic processes and should provide the society and the political leaders of the country with objective information on the results of the economic activity both inside the country and in the frame of the current international treaties.

Also it can be of great help for training employees of the audit institutions.

The audit results demonstrated high efficiency of the mechanisms of transfer and distribution of the import duties of the Customs Union, confirmed possibilities of stable functioning of the Customs Union even under conditions of all-round financial crises. The Customs Union has great prospects and inner reserves for development into integration of a deeper level.

The supreme audit institutions, implementing one of the elements of the public management, cannot remain uninvolved in the economic processes and should provide the society and the political leaders of the country with objective information on the results of the economic activity both inside the country and in the frame of the current international treaties.

You can consult the extended version of this article (in its original language) here:

http://www.eurosai.org/permalink/d7ee914e-671f-11e3-bdb8-392ac2638904.pdf
Public sector auditing in general and audits carried out by supreme audit institutions in particular, are capable of generating changes that can improve the everyday life of citizens. As an institution financed by public funds, the ultimate goal of the operations of SAIs cannot be anything else. Therefore, as we evaluate the performance of the SAI, it is of primary importance to measure the broad social impact of our work. In the last three years the State Audit Office of Hungary (SAO) had established a methodology for the support and monitoring of utilisation that could prove to be suitable for laying down the foundation for measuring the value and benefits of SAIs.

Performance measurement and utilisation are priority topics in the international world of SAIs. It is in this context that the international standard (ISSAI X) focusing on the value and benefit of the work of supreme audit institutions and its impact on the day-to-day life of citizens is being developed; moreover, the development of the Performance Measurement Framework defining the methodological foundation of the performance assessment SAIs is being aligned to the same concept.

The utilisation-oriented operation of the SAO and the methodology it applies to measure and evaluate added value are linked to this international trend and effort. The starting point of our evaluation is the fact that our work is utilised at several different levels, with each level requiring a specific measurement method and technique:

- Selection of audit topics;
- Audited entities;
- National Assembly; provision of information at the social level; academic public and legal proceedings.

We have formulated qualitative and quantitative indicators to measure utilisation that we collect and analyse on a continuous basis.

Through the case study below, we shall present the levels of utilisation of audits as well as how an earlier audit carried out by the SAO was utilised during effective flood protection operations at the time of the great Danube flood of 2013.

The utilisation of an audit carried out by the State Audit Office of Hungary

In June 2013, a tidal wave of historical proportions swept over the catchment area of the Danube. The flood, which led to critical conditions in Germany, Austria, the Czech Republic and Slovakia, reached Hungary as well, forcing the Hungarian disaster management system to face unprecedented challenges. The following case study presents how an earlier audit conducted by the SAO was utilised during the effective Hungarian flood protection operations.

Background

Three years before – in May and June of 2010 – another great flood laid devastation in Hungary. Flood protection operations were conducted in 14 of the 19 Hungarian counties, involving a total of 518 settlements, with close to 4000 people forced to abandon their homes. Ground water flooded approximately 160 thousand hectares of arable land and caused direct damage to 380 settlements. The extent of damages caused by the natural disaster amounted to HUF 100 billion (€ 350 million) nationally, with protection operations costing another HUF 30 billion (€ 100 million).
Given the problems observed during flood protection, in July 2010 László Domokos, President of the SAO, ordered the extraordinary audit of the disaster management system. The findings revealed that half of the Hungarian settlements did not have a disaster management plan whatsoever, and protection against ground water was not a part of the disaster management concept.

In its report, the SAO called attention to the fact that prior to 2010, budget resources dropped continuously, especially in connection with maintenance costs. The audit also concluded that Hungarian disaster management regulations were not in line with international systems of regulations, and the operation of the system was fragmented.

The report pointed out that according to an earlier statutory provision, the organisation and control of disaster management in a potential disaster situation fell within the authority of settlement mayors. Many of these mayors, however, lacked the necessary knowledge and experience, therefore, disaster management activities for the most part were conducted locally, in a haphazard and uncoordinated manner. The collection of donations was also uncoordinated, without appropriate control over these donations. This deviation from international regulations also hindered the utilisation of EU grants and funds.

These deficiencies could have individually all contributed to the fact that at the time of the 2010 flood, Hungarian disaster management proved to be inefficient and ineffective. Based on the audit findings, the SAO recommended that the Hungarian government transform the regulatory, organisational, operating, financing and control system, and adapt international systems of regulations.
Utilisation of the audit

During the audit, we strived for close cooperation with the auditees, with the management of Hungarian disaster management in particular. This contributed to the comprehensive identification of problems and facilitated certain deficiencies to be corrected as early as during the audit period. Furthermore, we also monitored the implementation of audit recommendations as well as the measures taken as a result of the report.

The completed report was presented by the SAO at a national press conference on 20 May 2011. As a result, the national media treated the topic as a priority in the following days.

The Hungarian National Assembly finally passed the new disaster management act at its 20 September 2011 session, which act was based on SAO recommendations. The new act entered into force on 1 January 2012.

Long-term results

Looking back after a few months have passed, we can state that the transformed disaster management system has passed the test with flying colours, the new act stood up to the challenge of the 2013 Danube flood, during which – in contrast with other European countries – there were no fatalities. The dams, with considerable effort made by disaster management teams, withstood the water’s pressure and the majority of settlements along the Danube were saved from flooding. According to the new statutory regulation, disaster management activities were controlled centrally, while charitable and donation-collections activities were conducted in a concentrated and coordinated manner.

The work of the SAO was indirectly also utilised in the effective flood protection operation, as the audit on disaster management induced a number of positive changes. As a result of the audit, the Hungarian population is more secure today, while the utilisation of public funds spent on disaster management is more transparent, efficient and effective than before.

One of the priority objectives of the SAO, beyond the maintenance of necessary control, is to support the efficient performance of the various institutions and organisations as well as the National Assembly’s legislative activity. The supporting of ‘good governance’ as a task is also featured in the Act on the SAO. In the end, this is how the findings and recommendations of audits carried out by SAIs can be utilised in the everyday lives of people and become tangible results. The tracking, monitoring and analysis of these results could in turn establish the foundation for the measurement of SAIs’ performance.

You can consult the extended version of this article (in its original language) here:

In recent years we have been witnessing a real revolution in the media world. Internet, social networks and additional new media means have turned out to be central communication channels in our world. The data regarding the use of the new media means are astounding. At the same time, the traditional media means, such as printed press and radio, have been losing their luster. Some claim that the new media revolution is on an equal scale as that of the print revolution.

This revolution has a dramatic impact on the activity of the Supreme Audit Institutions (SAIs) as well. The publicity of SAI reports and audit findings is of crucial importance to the fulfillment of the SAI’s task in a free and democratic society. The publication of SAI audit reports faithfully serves the public’s right to receive information regarding the activity of government agencies. Moreover, that information is a necessary condition for realizing the freedom of speech, since “the freedom speech, if one does not know what one is talking about, may turn out to be a futile freedom” as the Israeli Supreme Court noted. All in all, the flaw of information should deter government agencies from acting in ways which contravene permitted and proper behavior, lest their shame be exposed in public.

The importance of publicity mandates a special relation between mass media channels and SAIs. Indeed, for many years the traditional media means in Israel – printed press, radio and television – were the main brokers between the Israel SAI reports and the Israeli public. But, in view of the new media revolution, SAIs worldwide are obliged to examine whether they implement in an appropriate manner their duty, as an auditing body in a democratic country, to publicize their findings. SAIs should ask themselves whether the traditional media means are still the principal and most effective way of creating a link with the public at large and with the young population specifically.

As the citizens are increasingly engaged with questioning the value and real benefits of audit work to their personal lives, new means of communication may assist in addressing those concerns. Another aspect relates to the quickly-diminishing effect of the publication of audit reports on traditional media; due to its nature, new media provides the information producer, namely the SAI, with greater control over the volume, level and intensity of the circulation of news. New media is also much more suitable for the dissemination of brief, precise and even individually-centered messages – an important feature in our fast-paced society.

However, the use of new media also poses risks and challenges. The direct link to information-consumers as well as the possibility of two-way communications may have unwanted consequences such as populism and squabbling. Therefore, well-defined policy and guidelines regarding the use of those new means, including risk- and spokesmanship-management, are much needed.
In Israel, under the leadership of State Comptroller and Ombudsman Judge (ret.) Joseph H. Shapira, we were intensively engaged, during the last year, with these fundamental questions regarding the relationship between the State Comptroller and the new media channels. Inspired by the spirited activity of the US Government Accountability Office (GAO) in the world of new media, we have prepared a comprehensive plan for introducing SAI Israel into this fascinating world. On May 2013, we inaugurated the State Comptroller and Ombudsman’s Facebook page. Almost daily we upload to the “wall” several posts regarding audit reports and the activities of the office and the State Comptroller, and through it we receive many public inquiries. In addition, we have opened a YouTube channel, and these days we are getting ready to open the renewed Internet website, which will serve as the basis for the entire online activity of our office. At the same time, we are hard at work using additional means from the new media world to disseminate the work of the State Comptroller’s office to the public at large. Thus, for example, in the near future, parts of the audit reports will be turned into short accessible videos that will convey the principal findings that were published by us in the written reports. In our era of information explosion and time-consciousness, those videos offer readily-available, short and easily-comprehensible alternative to long complicated texts. In addition, we are examining the development of an SAI Israel application for mobile devices and use of QR code in the office publications – tapping into the Israeli mobile arena, which is relatively one of the most active on the globe.

Along with disseminating information to the public we also explore various ways to harness the numerous advantages afforded by the Internet and the new media for the improvement of audit work, since the new media enables two-way communication with the public. Thus, for example, it is possible to conduct “public hearing” on the website or in the Facebook page about a certain audit topic or about the annual work plan. This way we can get valuable information regarding the activity of the audited bodies in a simple and efficient manner. We can also conduct live chats between Internet surfers and SAI personnel, and more detailed explanations regarding the audit findings and the SAI work can be provided to the public.

Another innovative aspect of our activity relates to modes of dealing with results of audit, namely, defects rectification. In order to improve the reporting process, to make it more transparent and to deepen accountability, we are initiating a novel reporting method using electronic forms which will be publicly available on the Internet. On-line defects rectification reporting system, which will be open to the public, can address the question which arises for every SAI—“what is done with your audit reports?” In addition, the transparency of the system will contribute to more effective defects rectification.

As State Comptroller and Ombudsman Shapira noted “We must not sit idle. We must adapt ourselves to the changing reality. Paraphrasing the words of former Supreme Court President, Prof. Barak, we could say that just like the vulture in the sky that maintains his stability only when in motion, thus the State Audit will be stable only when it keeps moving forward...”. The technological and social developments pose significant challenges to SAs worldwide, and raise basic questions regarding the fulfillment of our mission in the society in which we operate. We were very glad to learn that the 2014 IX EUROSAI Congress, which will take place in the Netherlands, will deal with innovation in State Audit. We are confident that the fascinating and challenging issues regarding the relationship between SAI and the new media revolution will be brought up for a fruitful and inspiring discussion at this important conference.

You can consult the extended version of this article (in its original language) here: http://www.eurosai.org/permalink/d7d982ab-671f-11e3-bdb8-392ac2638904.pdf
The XIII session of the Council of Heads of the Supreme Audit Institutions of the Commonwealth of Independent States member countries (hereinafter-SAIs of CIS) completed its work on September 5, 2013.

The Council was established in 2000 to provide organizational support of cooperation among SAIs of the CIS, coordination of their interaction and experience sharing. The Council consists of the Heads of SAIs of Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Ukraine.

The Chairman of the Accounts Committee Aslan Mussin while opening the session noted a special role of the state financial control in ensuring sustained socio-economic development of the Commonwealth member countries.

It was decided to assign Dilmurod Davlatov, the Chairman of the Accounts Chamber of the Republic of Tajikistan, as a member of the Council of the Heads of SAIs of CIS.

The Chairman of the Accounts Chamber of the Kyrgyz Republic Elmira Ibraimova made a summary report on the activities of the Council of the Heads of SAIs of CIS in the period between the XII-th and XIII-th Sessions. Hereupon she devolved power of the Chairman of the Council of the Heads of SAIs of CIS on Aslan Mussin, the Chairman of the Accounts Committee of the Republic of Kazakhstan.

The Resolution on the role and place of SAIs of CIS in audit of using funds allocated for support of agricultural producers was adopted following the results of the meeting.

Heads and representatives of the Control Chamber of the Republic of Armenia, the State Control Committee of the Republic of Belarus, the Accounts Committee of the Republic of Kazakhstan, the Accounts Chamber of the Kyrgyz Republic, the Court of Accounts of the Republic of Moldova, the Accounts Chamber of the Russian Federation, the Accounts Chamber of the Republic of Tajikistan and the Accounting Chamber of Ukraine discussed issues of increasing effectiveness of audit of using budget funds allocated for the development of the agricultural sector, including achieving high-volume production of agricultural products, and creation of new and modernization of existing technologies for satiety of consumer market.
The results of work of the Expert group on Key National Indicators of the Council of the Heads of SAIs of CIS and the Working group on standards of public financial control of SAIs of the CIS were also considered during the session.

The Resolution on the role and place of SAIs of CIS in audit of using funds allocated for support of agricultural producers was adopted following the results of the meeting.

In particular, they have agreed to promote interactions among SAIs of CIS by performing joint control activities and experience sharing, they have also agreed to improve the practice of control and analytical activities as it is stated in the text of the Resolution.

The signing of bilateral agreements on cooperation between the Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan and the Control Chamber of the Republic of Armenia, the Court of Accounts of the Republic of Moldova, as well as the Accounts Chamber of the Republic of Tajikistan succeeded as part of the session.
The regularisation in the functioning of political parties in Spain since the approval of the Constitution of 1978, where they are regarded as fundamental instruments for political participation, together with their political aims and their system of funding, mostly from public subsidies, led to the Spanish legislator entrusting their external control to the Court of Audit; since 1987 for the auditing of ordinary accounts and since 1985 for the control of the electoral accounts.

The Act of 1987 granted exclusive competence to the Court of Audit in the external control of ordinary accounts, with political parties who received unconditional annual state subsidies for their ordinary running expenses having to present a detailed and documented account of their respective incomes and expenses within the first six months as of the financial year close.

Within a period of eight months, the Court of Audit pronounced on the validity of those accounts, demanding the appropriate responsibilities before Parliament.

This Act demarcated public and private funding. Unconditional public subsidies were distributed according to seats and votes obtained by the political parties in the latest elections held, and funding by foreign governments, bodies and public sector companies was banned apart from the subsidies established by the European Parliament, along with those coming from Spanish public sector companies.

In terms of private funding, standing out was the limit established per natural or legal person of 10 million pesetas a year (€60,000) or the ban on the granting of private funding coming from private sector companies with a contract in force with any Public Administration. Anonymous contributions were nevertheless permitted.

For its part, an Act of 1985 on the General Electoral System regulates the obligation on political formations to present the Court of Audit with electoral accounts of income and expenses if they have received state subsidies for the conducting of elections or if they have applied for payments in advance. The electoral subsidies finance the electoral expenses and "mailings". Other prohibitions on private funding contained in this Act are analogous to those described in the 1987 Act.

The electoral accounts are presented to the Court of Audit between 100 and 125 days following the elections and the Court pronounces on the validity of the electoral accounts within 200 days following the elections. It can propose that state subsidies be withdrawn or reduced if irregularities or violations of the restrictions established on electoral income and expenses are noticed.

In 2003, a modification to the 1987 Act was made in order to include a year-end allocation for meeting the security expenses of political parties and in 2007 a change took place in the regulations on ordinary funding of political parties. The subjective scope of grantors of public subsidies was expanded to include Regional Governments and Local Corporations.

In private funding anonymous donations were banned and the limit on named donations was raised to €100,000 a year, apart from for real estates. Equally, assimilated operations, those that take place when third parties directly or indirectly take on the cost of buying goods, services or other expenses entailed by the party’s activity, were banned. Political parties were banned from conducting trading activities.

In terms of accounting obligations, it is clearly stated that parties have to file annual accounts for the financial period within six months as of its close. Those accounts are consolidated as far as the provincial level. The Court of Audit issues a report within a period of six months on the validity of the filed accounts stating any infringements or irregularities it has observed.
This Act introduced a system of sanctions for cases of failure to present accounts or when they contain serious shortcomings or when improper private donations have been accepted, with the Court of Audit having competence for dealing with them. The Court also acquired competencies over the control of donations received by foundations and associations linked to political parties.

Moreover, in September 2013 the Court of Audit approved a specific plan of accounts for political formations.

In 2011 two important rules were introduced. On the one hand, the Organic Act of 1985 on the General Electoral System was modified establishing a new limit for electoral donations which went from €6,000 to €10,000 per natural or legal person; at the same time, penalties for offences committed by party administrators in cases of falsifying accounts or misappropriation of electoral funds were updated and the electoral subsidies for 2011 were frozen as a consequence of the economic crisis.

On the other hand, a Royal Decree of 2011 regulated and clarified the categories that could be subsidised as security expenses.

In 2012 the latest modification made to the ordinary funding of political parties was introduced. In private funding parties are not allowed to accept donations from companies in a group if any of them have ties with Public Administrations or other public sector bodies or companies by means of a contract in force. Equally, they are not allowed to accept donations from foundations or associations that receive subsidies from Public Administrations. The waiving of debts held by parties is subject to a limit of €100,000 a year.

Of great importance here is transparency since political parties are obliged to publish their annual accounts on their websites once they have been checked by the Court of Audit, along with any loans that were granted to them or debts that were waived.

At this moment there is a draft bill at the processing stage that is going to strengthen control by the Court of Audit over political formations by means of obtaining computing data and data on wealth from the Inland Revenue Service and Social Security, and it is going to become easier to obtain data from other third parties such as financial institutions and suppliers. At the same time, the responsibilities of the governing bodies and/or treasurers of political formations are going to be clarified and the periods for filing accounts are going to be shortened.

It has to be emphasised that the evolution in compliance with their accounting obligations by parties has been very positive since 1987 when external control by the Court of Audit commenced. Far from the concern that is always produced by a few cases of corruption or of irregularities in the funding of political parties, it has to be pointed out that these cases cannot be generalised and that political formations have complied reasonably with the law and with accounting standards in this entire period.

During this time the Court of Audit approved 25 reports on the annual accounts of political parties, 6 reports on electoral processes for the European Parliament, 8 reports on general elections and 7 reports on local elections. Audits were also conducted on various elections held for Regional Assemblies.

The amount audited during the period comes to 1500 million euros with an annual average of 93.2 million, of which 63 million correspond to subsidies for running expenses, 3.5 million to security expenses and 26.6 million for subsidies for electoral expenses.

In addition to all this, account has to be taken of the control carried out by the Court in subsidies granted for the running of regional governments and for the activity of the parliamentary groups belonging to the Spanish Parliament, Legislative Assemblies and Local Corporations which, taken altogether, doubles the amount of subsidies for running expenses granted by the State.

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The amount audited during the period comes to 1500 million euros with an annual average of 93.2 million.
Ombudsman and Supreme Audit Institution: Parallelimism, Convergence, Collaboration

Manuel Aznar López
Member of the Spanish Court of Audit

1. Ombudsman and Supreme Audit Institution

Ombudsman and Supreme Audit Institution are two control institutions for overseeing the administrative activity which, with a certain degree of frequency, present the common factor of having ties with Parliament. The overriding purpose of this tie is to guarantee the independence of the control institution, which would find itself diminished if it were to be set within the sphere of the executive power. Ombudsman and Supreme Audit Institution thus perform, among others, an auxiliary function of Parliament in its task of controlling the Executive and they inform the legislative Chambers of their management by means of the periodical presentation of their reports.

Nevertheless, it is very true that this tie to Parliament is not a factor that can be advocated on a universal basis. So, to cite the example of a Supreme Audit Institution, prior to the 1978 Constitution the Spanish Court of Audit was a “body of the State”, which was recognised to have functional independence with respect to the Administration and Parliament, which did not intervene in the appointment of the president and other members of the Court (articles 1 and 3 of the Law of 3 December 1953). In terms of the Ombudsman, the most noteworthy case of an institution tied to the executive power consisted of the French institution of the Médiateur de la Republique [1], whose appointment was made by Decree agreed in the Council of Ministers, in addition to including the necessary credits for its functioning in the Prime Minister’s budget (articles 2 and 15 of Law 73-6, of 3 June 1973). In these cases, in spite of the fact that legislation usually emphasises the independence of the institution, its functional autonomy is inevitably weakened, to the point where it can be maintained that an adulteration of the control body is produced as a result of the ties with the Executive, of a greater or lesser degree of intensity depending on the case.

One of the routes for guaranteeing the independence of these institutions has been to relocate them from the Executive sphere to that of the Legislative sphere.

Matters being thus, it will not be surprising that one of the routes for guaranteeing the independence of these institutions in the exercise of their controlling activity has been to relocate them from the Executive sphere to that of the Legislative sphere. This in fact happened with the Court of Audit of Spain – continuing with the example mentioned above – which the 1978 Constitution configured as a body set within the parliamentary sphere. On the other hand, this relocation was not put into practice as far as its ultimate consequences in the second example given above. Indeed, the report on the Comité de réflexion et de proposition sur la modernisation et le rééquilibrage des institutions de la V République [2], published on 30 October 2007, advocated the creation in France of a Défenseur des droits fondamentaux [3], an institution which, as was expressly stated, was inspired by the Ombudsman of Spain, proposing in line with this model that its designation should be made by the National Assembly by a qualified majority. Nevertheless, the Constitutional Law 2008-724, of 23 July 2008, which modified the 1958 Constitution in order to consider therein the new institution of the Défenseur des Droits [4], assigned its appointment to the President of the Republic, by Decree approved in the Council of Ministers, limiting parliamentary intervention to giving its opinion on the appointment proposal and to the right to veto, since it considers the

[4] Defender of Rights
possibility of blocking the appointment if the sum of votes against from the corresponding committee of each Chamber were to represent at least 3/5 of votes issued within the two committees. This manner of designation has been the object of criticism, since it is considered that it could effect the independence of the institution (thus, Patrick Roger: “Défenseur des droits: une occasion manquée”, in Le Monde, 18 January 2011). Moreover, this new institution, which replaced the Médiateur de la République starting on 1 April 2011, has to inform both Parliament and the President of the Republic of its actions.

2. Ombudsman and Supreme Audit Institution as parallel bodies

In cases in which there exists a common tie with Parliament, this circumstance does not mean that relations between Ombudsman and Supreme Audit Institution are institutionalised. Indeed, it is very possible that such relations do not even exist. This is the case with Spain, for example, where the Ombudsman and the Court of Audit act in parallel, without the regulating legislation for the two bodies replacing any mechanism at all that would ensure collaboration between them in the event that it might be necessary or advisable, and, in the absence of such mechanisms, without on the other hand having introduced any channels for a mutual cooperative relationship.

In practice, the absence of relations between the two institutions and their consequent action in parallel does not create any notable problems, in spite of the fact that at the theoretical level the respective objective scopes in which they perform that controlling activity are not precisely parallel, rather, on the contrary, they can mutually interfere with each other. In order to illustrate this fact, it suffices to recall that the control over the administrative activity attributed to the Ombudsman also includes that relating to the economic-financial management, which is precisely the proper scope of control action of the Court of Audit. Furthermore, the absence of problems is in practice not an obstacle for maintaining that the establishment of collaboration routes between the two control bodies could contribute to a greater efficiency in their respective actions, which would indeed be for the benefit of citizens since it would encourage a better functioning of public bodies and entities; in short, an improvement in the services they provide.

3. The convergence of the Ombudsman and Supreme Audit Institution into a single body

The model opposed to the parallel action of Ombudsman and Supreme Audit Institution is their integration into a single body. This is the case with Israel, where in 1971 Parliament agreed to attribute the additional function of Ombudsman to the State Comptroller. In this way, the audit activity became added on to that relating to investigating complaints brought by citizens.

Those who defend this model of organic unity highlight among other advantages that complaints from citizens allow shortcomings in the administrative activity to become known in their economic-financial aspects, thereby making it easier to locate areas that need to be audited.

4. Conclusion: the necessary collaboration between the two institutions

Nevertheless, independently of the fact that it can also display drawbacks, the single body model is not easy to introduce in countries where the control bodies, and especially the Supreme Audit Institution, have a long history and a proven tradition. In spite of this, the advantage stated above allows the advisability to be emphasised of relations between the Ombudsman and the Supreme Audit Institution being properly institutionalised, since the synergies deriving from this mutual collaboration can, as has been stated earlier, be for the benefit of efficiency in the action of both control bodies and, indeed, for the favour of citizens.

The single body model is not easy to introduce in countries where the control bodies have a long history and a proven tradition
CONTROL OF IN–HOUSE CONTRACTS: ANALYSIS OF THE MAIN RISK AREAS

Enriqueta Chicano Jávega
Member of the Spanish Court of Audit

1. Public contracting vs. Free administrative self-organisation

Public contracting in the EU accounts for 17% of its overall GDP. Current Directives on public contracting – Directives 2004/17/EC1 and 2004/18/EC2 – are the product of a long evolution that began in 1971 with the adoption of Directive 71/305/EEC. The proposal of what is going to be the future Directive on public contracts, presented to the European Commission on 20 December 2011, is currently at the approval stage.

The concept of management entrustment, “in-house” contract or “contrat maison”, increasingly used by the Spanish Public Administrations, finds its legal basis in articles 4 and 24 of the Revised Text of the Public Sector Contracts Act approved by Legislative Royal Decree 3/2011, of 14 November 2011 (hereinafter, TRLCSP). It is conceived as the agreement entered into by an awarding body with another body controlled by it, with its own legal personality, in which the performance of a service, a supply or the execution of a work is commissioned. This legal act constitutes an important exception to the need for public bidding of contracts aimed at providing those services [1].

There exists a considerable level of legal insecurity in relation to the degree in which cooperation among the public powers, or the self-organisational decisions concerning the procurement of goods, services or supplies within a national Public Administration, has to be regulated by the rules of public contracting [2], inasmuch as it is a question that is virtually ignored by EU Directives on the subject.

The future Directive aims to ensure that cooperation among public sector bodies exempt from the application of the rules on public contracting does not falsify the competition with respect to private sector economic operators.

2. Management entrustment: basic requirements

This concept constitutes an exception to the general rules of Community Law on contractual matters, and has the aim of guaranteeing the principles of equality, transparency in public bidding, competition and non-discrimination. Therefore, in order for that exception to be applicable, the bodies, organisations or entities awarded the commissions need to be considered to have the means and technical services of the awarding power, which implies:

- That the awarding power exercises a control over that entity that is analogous to that which it carries out over its own services.
- That the entity performs the essential part of its activity for the awarding power controlling it. The Directive proposal already sets a threshold of at least 90% of the activity of the commissioned entity.
- In the case of companies, public ownership of all of its capital is also demanded.

The condition of own means and technical service of the entities meeting the stated criteria must be explicitly recognised by the rule creating the entities or by their statutes.

3. Disputed aspects of the economic system of management entrustment

Payment of the entrustment forms a substantial aspect of this concept. As a general rule, payment of management entrustments is done by means of tariffs.
set by the administrative body which the commissioned entity comes under. Nevertheless, at both the national and the EU levels, there are few legal parameters determining what the criteria to follow ought to be in setting the payment system for the entrustment. In this regard, the future Directive provides that the commissioned entity “shall not obtain any profit other than reimbursement for the real costs of the public contracts entered into with the awarding powers” making the commissions.

This criterion, though it is clear in its definition, has to be developed in the national legislations so that the activity carried out by Public Administrations can thereby be not just more effective but also more efficient and economic than if they were to derive from the same procurements in the goods and services market, avoiding profitability margins that lie outside of logic and the legal-economic coherence of management entrustment, since the commissioned entities are financed with public funds, which means that they do not take on the risk of a private businessman and act in relations with their parent as if they were a technical legal body. The entire foregoing has to be understood as being notwithstanding the specialities that might be present in questions relating to national defence or to interior security (article 346 of the Treaty on the Functioning of the European Union, the old 296 TEC) or exceptional circumstances that have taken place making it preferable to resort to management entrustment for motives that do not just consider the greater cost-effectiveness in obtaining a service.

4. The execution of the entrustment: own means without means?

Another question offering a special risk in this field concerns its execution.

In the current legal framework there do not exist any legal parameters of a general nature in relation to the degree of execution which the commissioned entity has to carry out by itself, in other words, regarding the possibility of contracting out to third parties the activity which have been commissioned to it by the Administration.

It must be borne in mind that the commissioned entity can contract out the material execution of the commission to third parties. In Spanish law, this possibility has not been limited by the TRLCSP, apart from in the case of TRAGSA where collaboration of private firms is limited to 50 percent of the total amount of the project, supply or service. This has been the target of numerous criticisms since it allows the instrumental entity to contract all or most of the service without applying the contractual legislation with the same rigour as is provided for in situations in which Public Administrations are the contracting body, with the entity being conceived as a mere intermediary enabling a change of legal regime in the field of public contracting. This can also imply a rise in the cost of the products or services that have been commissioned, as a result of the activity of simple mediation carried out by commissioned entities.

Own means are what they are precisely because the entity has the necessary instruments for carrying out the commissions assigned to it. The contrary would be equivalent to regarding management entrustment as being a fraud of public contracts legislation. If the object of the commission or entrustment is, as the Law wishes, “the carrying out of a certain service”, it cannot be considered to have been carried out by a body which confines itself to transferring its execution to a third party. The change in the ordinary administrative contractual system for another, in other words, from a system offering individual guarantees for the public interest to another which does not offer them, ought to be in response to a cause, which cannot be the freedom of the contracting body to choose between one system and the other.

And this is exactly what would occur if one resorts to an instrumental body with the sole aim of altering the contractual system corresponding to the commissioning Administration.

It is therefore necessary to make a proper definition of the outline of a concept that is indispensable for the efficient management of Public Administrations, but whose abuse can generate not just an inefficient and excessive public expenditure but also be harmful for the competition, with the consequent deterioration of the private sector.

You can consult the extended version of this article (in its original language) here:

http://www.eurosai.org/permalink/7487d30b-7454-11e3-bdb8-392ac2638904.pdf
I. The present context of efficiency

The dictionary of the Spanish Royal Academy of Language defines the term *efficacy* as “the capacity to achieve the desired or hoped-for effect”. It is only when actions are undertaken that seek to attain a hoped-for objective that the Administration is in a position to successfully do things.

A central point of the scope of control of efficiency and its evaluation therefore consists of the separation between the technical and evaluational aspects and political ones.

In terms of economic-financial control, it is in the regulating legislation of the Court of Audit of the Kingdom of Spain in its Organic Act 2/1982, of 12 May 1982, and in Act 7/1988, of 5 April 1988, where the auditing function is defined in terms of submission of the economic-financial activity of the Public Sector to the principles of legality, efficiency and economy, as well as to the execution of public revenues and expenditure. The link between efficiency and control seems as evident as necessary.

A central point of the scope of control of efficiency and its evaluation therefore consists of the separation between the technical and evaluational aspects and political ones. While control of economic efficiency impacts exclusively on the microeconomic aspects and management of public activity, it is the assessment of the public effectiveness which has to correspond to the popular will. The strategy and choice of public policies falls to the representatives chosen by the citizens, and it is the development of those policies which requires the assessment of the efficiency as well as a legal and accounting audit.

The position of the evaluator has to be independent, technical and neutral. His function has to be confined to controlling the efficiency in the proper areas and to the rendering of information to the popular representation so that decisions can be adopted that will result in a function that will improve the utility of the greatest number of citizens possible by means of producing goods or providing services that are economically efficient.

II. Transformation of the Administration: a response that is not just economic

The existing dilemma between the distinction of what is substantive and what is accidental is necessarily imposed in the reorientation of public policies when appealing to the sustainability of public services. The right to a proper explanation from governments to their citizens within a society that is ever more informed and socialised becomes converted into a challenge, but also into an unquestionable reality and one which considers the taking of political decisions that are difficult to put off in terms of time.

From a cautious perspective, the crisis situation, fundamentally economic, that society is passing through...
demands innovative responses that connect with the present problems which Administrations are suffering from. Nevertheless, the short-term knee-jerk reaction with which certain decisions are taken must not offer solutions in which Economics is imposed on Politics. We have to be aware that we are facing not just an economic crisis but also a political and institutional one. Therefore, the search for a change of model within the context of a common European framework proposes the acceptance of a complex reality and a solution that is not just economic.

III. Prospects for change in the Administration: an approach adapted to reality

Returning to the more economic perspective, one can in an initial phase point to the relevance in the identification of expenditure and its implementation on the basis of an evaluation made in terms of efficiency. Nevertheless, it is as important to delve into this analysis as it is to search for scenarios that complement it.

The preparation of proposals will shape a “control panel” sufficiently precise for implementing decisions from the political management of the governing bodies, comprising responses that accord with those citizens’ demands that are undergoing constant evolution. The need to incorporate fluid and constant processes of social feedback into ordinary management techniques seems to be clearly evident.

Only by withdrawing resources from inefficient channels and orientating them towards the consolidation of what is necessary will a system of resources be consolidated that will provide a guarantee of progress in society.

The dynamic and insatiable society in which we live is again showing evident signs of having devoured a model of economic and social planning and is vigorously claiming the application of measures that will sustain a series of terms that are apparently unconnected but which emerge powerfully in the search for an “innovation in society”: open government; costs measurement; adaptation of administrative structures; transparency; generalisation of processing and communication by telematic means; management by results; systems of public-private collaboration; the socialisation of management and its processes of communicating information.

Indeed, the embryo of a new model can be seen. Will it be the final one? Undoubtedly not, though it will allow the present demands of a society that today continues to be “orphaned” to be partially satisfied with a new model of planning that projects hope, anticipation and, above all, responses to their demands.

Governments, like that of Spain, encourage measures that aim to respond, at least in the short term, to the sustainability of society and to the stability of financial structures. On the above basis is established the objective of growth and net job creation. Will it be enough?

It is coherent to conclude that the reforms that are being tackled in Administrations and particularly in the Spanish Administration, are resolutely confronting the challenge of incorporating efficiency, control and the most outstanding aspects of “innovation in society” as levers of change for the society in which we live. Perseverance along this path of work will undoubtedly be the key to success for all citizens within the Europe that we want.

You can consult the extended version of this article (in its original language) here:

http://www.eurosai.org/permalink/758a75fe-7454-11e3-bdb8-392ac2638904.pdf
Protection against accounting irregularities finds a final principle in Criminal Law. Only the most serious infringements of accounting and auditing standards are the subject of legal safeguarding in criminal law by means of the imposition of the appropriate penalties on their authors or perpetrators. Here we give a brief description of the application of the State jus puniendi, recalling that the severity of the conduct exposed in a situation of economic crisis implies a serious failure of the foundations of the financial and economic institutions sustaining the general wellbeing and, moreover, that the punitive regulation can be found in articles 261, 290, 305, 307, 310, 310-A, 433-A and 502 of the existing Spanish Criminal Code of 1995.

This punitive regulation has a large body of case-law doctrine allowing the main questions on the criminal law protection of accounting and of auditing, both public and private or commercial, to be treated.

First of all, article 261 punishes the intentioned presentation of false accounting data in a bankruptcy or insolvency process done with the aim of improperly obtaining the declaration of bankruptcy. The case in question demands intentionality, which excludes the negligent or imprudent committing or the possible deceit or representation accepted by the perpetrator of the offence, normally a private businessman or company owner and merchant. Moreover, it demands the attaining of an end consisting of the declaration of bankruptcy deriving from the actual presentation of false, deceitful or altered accounts.

Furthermore, the infringement maintains a certain relation with procedural fraud by fictitiously reducing assets or increasing liabilities in order to give a false idea of the author's economic situation and to adopt decisions that are prejudicial to the creditors. This concerns an offence of danger, in that it suffices to present false data. Such conduct takes place once the bankruptcy has been declared and has no causal relation with the state of insolvency or economic crisis deceitfully caused, to which article 260 of the Criminal Code refers; the aim of the accounting falsehood is to prejudice the creditors exclusively.

For that reason, Spanish courts consider that there will be no criminal liability if there do not exist any elements accrediting falsehood, nor that the aim of presenting that report was to achieve the declaration of bankruptcy.

And, on the contrary, the declaration of liability and consequent sentencing will indeed be appropriate if there is a difference of more than three million euros between the state of the real accounts and that contained in a document signed and presented to the civil jurisdiction as part of the corresponding petition for voluntary bankruptcy. Also if it is proven in court that the accused persons, in their capacity as administrators and managing directors of the company, provided a false statement of accounts to the bankruptcy proceedings requested by that company.

Secondly, article 290 penalises the de facto or de jure administrators of a functioning company or one in the process of formation who falsify the company's accounts...
or documents in order to cause economic harm to it, to any of its partners or to third parties. By way of example, one can list the accounting ledgers, the minute books and, general, all documents intended to make public the economic or legal situation or a company operating on the market by means of offering a true and faithful image thereof.

The punished conduct will consist of falsifying. Falsifying, in the sense of article 290, is to lie, alter or fail to reflect the true economic and legal situation of the company in the documents signed by the facto or de jure administrator, because, moreover, the right to obtain complete and truthful information on the legal or economic situation of the company is thwarted.

The offence derives from safeguarding the external transparency of the company administration and the criminal conduct consists of infringing the duty of veracity in drawing up the annual accounts and other documents of the company in order to prejudice the company, its partners or a third party.

Thirdly, of interest to us in the regulation of article 305, concerning tax fraud or offences, is the reference to justifying circumstances if account is taken of the requirements for the so-called tax regulation made by the tax obligor. In order to be exempt from liability, the tax debt pending must be acknowledged and paid before being notified by the Inland Revenue Service that checking or investigation actions are going to commence, or, otherwise, before the filing of a complaint or claim against the tax obligor or the communication of inquiries from the investigating judge.

It must be borne in mind that exemption from penalties will not take place if the requirements for making a voluntary appraisal of the regularisation of the tax situation are not present. In the case of a debt, of an obligation not fulfilled, putting affairs in order means paying, fulfilling, and implies a behaviour that is spontaneous, active, positive, on the part of the debtor.

In terms of the commencement of inquiries in which actions have been carried out with the tax obligor’s knowledge, one is referring to inquiries relating to the prosecution of the fiscal offence, not to other legal actions or those taken by the Public Prosecutor’s Office, even if they had a direct or indirect relation with the facts making up the offence against the Public Treasury.

If it is considered proven that, prior to the knowledge of the inspection actions, the accused presented the appropriate tax returns where the real amount of the debt appeared, later on negotiating the postponement and payment by instalments, without placing any obstacle to presenting accounting documents when required for the purpose, then there will not exist any liability.

A fourth supposition of possible accounting criminal liability is that considered in article 307, referring to the regularisation of debts in view of a possible offence of Social Security fraud, a situation which is exempt from penalty if the conduct is similar to that just mentioned, though now with respect to debts towards that institution of social management and guarantee.
In fifth place, article 310 punishes any absolute breach of the obligation to keep business accounts, books or accounting records, among other forms of conduct.

The Courts have been considering that if, in spite of concealing the accounting books, the offence against the Public Treasury also reached its consummation, those accused of the accounting offence must be acquitted since otherwise the principle of *non bis in idem* would be violated. This is so because the accounting offence is an instrumental offence of a tax infringement and is an autonomous offence when the defrauding of the Treasury constituting the offence has not taken place.

In sixth and seventh places, articles 310-A and 433-A punish the committing of offences against the Public Treasury and the Social Security by legal persons and the falsehood committed by the public official within his scope with the aim of causing economic harm to the body which he comes under.

Finally, article 502 punishes the authority or official who obstructs the investigation by the Court of Audit or equivalent bodies of the Autonomous Regions, refusing or unduly delaying the sending of reports requested by them or hindering their access to the administrative files or documentation that are necessary for that investigation.

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http://www.eurosai.org/permalink/75aec6e4-7454-11e3-bdb8-392ac2638904.pdf
INTOSAI DEVELOPMENT INITIATIVE (IDI)—
CHARTING NEW FRONTIERS

INTOSAI Development Initiative (IDI)

Introduction

The IDI is an INTOSAI body which supports SAIs in developing countries, in their efforts to sustainably enhance performance, independence and professionalism.

The IDI provides support to SAIs by facilitating:

- Implementation of international standards, including the ISSAIs.
- Development of institutional, organisational and professional staff capacities.
- Knowledge sharing and implementation of good practices.
- Scaled up and more effective support to SAIs through partnerships with stakeholders.

Using a client centred approach the IDI facilitates SAI development initiatives at global, regional, sub regional and SAI level; including bilateral support on a needs basis.

The IDI also serves as secretariat to the INTOSAI-Donor Cooperation, established in 2010 to enhance the volume and coordination of support for strengthening SAIs in developing countries.

From Training to Capacity Development to Supporting SAIs in enhancing their performance

After its establishment in 1986, the IDI was regarded as the ‘training arm’ of INTOSAI. Since inception one of the primary long-term goals of the IDI had been to strengthen INTOSAI regional groups of SAIs and support them to upgrade the expertise of their staff through training and information exchange. The underlying principle to IDI’s philosophy and approach previously was to offer practical training to audit practitioners and trainers who could then train others using materials provided by or through the IDI.

Over the years the IDI has changed its focus and shifted its emphasis in response to changing needs and circumstances. The overall thrust for the first nine years was to assist SAIs from developing countries to strengthen their training and audit capabilities through the direct provision of training programmes aimed primarily at Training Managers, to strengthen existing and introduce new audit techniques and tools, and to develop and distribute its International Directory of Information for Audit Training.

With the Long-term Regional Training Program (LTRTP) launched in 1996, IDI’s primary focus became one of strengthening training capacity in the INTOSAI regions through the establishment of a sustainable regional training infrastructure.

An anticipated result of this capacity-building approach was that participating regions and their member SAIs, would increasingly assume responsibility for assessing regional and local training needs and priorities and for offering regional and local technical training workshops to meet those needs and priorities.

During the first Strategic Plan of the IDI spanning from 2001-2006, the IDI had five Strategic Goals. These included among others, securing and strengthening the training capacity in the regions and establishing and/or strengthening the network for IDI training specialists. The emphasis was on training programmes.

The IDI is coming to the close of the second Strategic Plan now which has spanned from 2007-2013. With the change in its perspective the strategic goals evolved into among others, effectively enhancing the professional capacity of SAI Staff; supporting institutional
strengthening efforts in SAIs, contributing to SAIs knowledge sharing efforts.

This period was characterized by a shift from ‘Train the trainer’ programme to those like ‘Capacity Building-Needs Assessment’, Management Development Programme, Strategic Planning Programme etc. This plan period focused on organizing and delivering development projects for supervisory staff at different levels. These were followed up to ensure sustainability. SAIs were supported to facilitate implementation of audit systems and procedures in line with best practices as also the development and strengthening of support services.

During this period the 20th INTOSAI Congress adopted a comprehensive set of International Standards of Supreme Audit Institutions (ISSAIs) that cover the core audit disciplines of financial, compliance and performance audits. INTOSAI's Strategic Plan envisaged the role of the IDI to take forward the implementation of the ISSAIs. The ISSAI Implementation Initiative or the 3i Programme’s phase –I got underway. E-learning was adopted in a big way and programmes like the ISSAI Certification Course and Risk Based Approach to Financial Audit were offered through e-learning platforms. The 3i Community Portal has been launched as part of this programme. It aims to create communities of practice for ISSAI implementation by providing a platform for knowledge creation, knowledge sharing, interaction and support related to ISSAI implementation. It is available at http://www.idicommunity.org/3i/. Meanwhile capacity development in SAIs has been supported through other programmes as well like those on Environment Audit, IT Audit, and Audit of Public Debt etc. SAIs have been supported in their self evaluation through the SAI-Performance Measurement Framework developed by a task force coordinated by the INTOSAI-Donor Secretariat.

The IDI’s Capacity Development Model

The IDI recognises three main aspects of capacity development. Institutional Capacity Development involves working within the institutional and legal framework within which an SAI operates. The organisational systems capacity of an SAI include the processes and structures within the organisation to enable a more effective and efficient achievement of the desired objectives. The professional staff capacity of an SAI is the ability of the SAI management and staff to function effectively together as per their job requirements. The IDI’s capacity development framework for SAIs integrates the three aspects of capacity development with the areas for capacity development in an SAI.

Conclusion

Over the years the IDI has evolved not only in terms of capacity development for developing countries but is now also involved in other areas like engaging with developed countries on cost recovery basis, providing bilateral support to needy SAI, engaging with larger SAI stakeholders and environments, dissemination of global public goods and emphasis on stronger regions. The IDI’s activities now span across all the four strategic goal areas of the INTOSAI. Raising awareness

The 3i Community Portal aims to create communities of practice for ISSAI implementation by providing a platform for knowledge creation, knowledge sharing, interaction and support
The IDI’s capacity development framework for SAI's integrates three aspects of capacity development with the areas for capacity development in an SAI.

Over the years the IDI has evolved and its activities now span across all the four strategic goal areas of the INTOSAI.

INTOSAI Knowledge Sharing Committee contributes to the third strategic goal of Encouraging SAI Cooperation, collaboration and continuous improvement through knowledge sharing including providing benchmarks, conducting best practice studies, producing audit guidance material and performing research on issues of mutual interest and concern. Through the activities of the INTOSAI-Donor Secretariat the IDI contributes to the fourth Strategic Goal of ‘Organising and governing INTOSAI in ways that promote economical, efficient and effective working practices, timely decision making, and effective governance practices while maintaining due regard for regional autonomy, balance and the different models and approaches of member SAI’s.’

Figure 1. SAI Capacity Development Framework

VALUE & BENEFITS OF SAI's
1. Strengthening the accountability, integrity and transparency of government and public entities
2. Demonstrating ongoing relevance to citizens and other stakeholders
3. Leading by example

The ISSAI Implementation Initiative is contributing to the INTOSAI’s strategic goal 1 of ‘Promoting strong, independent and multidisciplinary SAI’s and encouraging good governance’. IDI’s capacity development programmes and the Global Public Goods developed in association with different INTOSAI regions/committees is contributing to the INTOSAI strategic goal 2 of ‘Building the capabilities and professional capacities of SAI’s through training, technical assistance, information sharing, and other capacity building activities’. Various knowledge sharing initiatives of the IDI and its partnerships with the different working groups of the