EUROSAI INNOVATIONS | VOLUME II

Sharing good practices among Supreme Audit Institutions

EUROSAI
March 2014
The publication *EUROSAI Innovations: Volume II* has been produced by the EUROSAI Goal 1 Committee chaired by the Premier President of the Cour des Comptes, M. Didier Migaud.

Foreword

In 2013, we published our first volume of *Innovations* highlighting new ways Supreme Audit Institutions (SAIs) in Europe were seeking to improve their performance and to more actively engage with their auditees, parliaments and citizens. The publication was well received and has been, or is in the process of being, translated into many different European languages.

This second volume builds on the excellent examples of good practices identified in that first volume and shows the breadth of new thinking across the members of EUROSAI has not diminished.

The timing of this publication itself is auspicious – coming soon after the International Congress of SAIs (INCOSAI) in Beijing at the end of 2013 which approved for the first time a set of international auditing standards for SAIs. Implementing these standards across all our SAIs will be a major challenge over the next decade and will require all SAIs to become ever more innovative.

The publication also comes just before the EUROSAI Congress in the Netherlands, where the theme will be Innovations. This should provide a rich harvest of ideas and complement the ideas contained in these pages.

As with Volume I, Volume II provides contact emails. If you want to learn more about any of the innovations contact these people direct. Part of the aim of this publication is to facilitate peer-to-peer learning.

Our aim is to bring out further editions of this publication – so if you have innovations you are proud of then let us know and they will be published.

I would also like to thank Jean-Raphael Alventosa for chairing the EUROSAI Goal 1 committee on capacity building and the UK National Audit Office, David Goldsworthy, and Fazila Ragi in particular, for helping create this publication.

M. Didier Migaud
Chair, EUROSAI Goal 1
Premier Président
Cour des Comptes
Albania: State Supreme Audit

The cooperation of the State Supreme Audit Institution of Albania with civil society organisations, professional associations and the press

Cooperation with civil society organisations

In the framework of the reforms needed to strengthen transparency and accountability, the Albanian SAI (ALSAI) has built a cooperative working relationship with eight civil society organisations. Its aim is to exchange information and to strengthen its functions in relation to transparency and accountability. Civil society organisations have served to channel citizens’ participation, by becoming conductors of their voice and proposing concrete topics for audit. The professionals within these organisations have also been part of the audit groups and they have brought expertise in the areas to which their competencies belong. Furthermore, these experts act as lecturers in staff training sessions, in order to increase the audit capacity of ALSAI.

Cooperation with professional associations

The Supreme State Audit has established cooperative relations with three professional associations, mainly in the field of accounting. This cooperation has contributed to capacity building and the professional knowledge of the ALSAI’s staff, through training and consultation with their experts. These professionals have exposed the ALSAI to the traditions, values and expertise of qualified accountants and auditors. As a result, the ALSAI organised a scientific conference this year. The aim of this conference was to: apply scientific research to promote progress and improvements in the effectiveness of the institution; and in addition to contribute to the publication of scientific papers. The cooperation with these professional associations, along with the partner SAIs, added a new dimension to the conference.

Auditors’ engagement with the press

For the first time in the history of the ALSAI, 33 senior directors and auditors have written more than 100 articles on the theoretical and practical aspects of audit. They have brought their expertise on sensitive audit issues to external stakeholders. In the process, they have informed the public about the best practices of external audit. By using such activities, the ALSAI aims to build a new relationship of trust with the citizens and promote transparency and accountability.

For more information, please contact:

Mrs Evis Cela on ecela@klsh.org.al
Austria: Rechnungshof

Creating transparency by Municipal Monitoring

Since 1929, the Austrian Court of Audit (ACA) has been entitled to audit municipalities with more than 20,000 inhabitants. However, in recent years, municipalities in Austria have progressively been entrusted with more budgets to deliver services in such areas as social affairs, education and health care. This has resulted in an increase in the financial and economic significance of municipalities and, since 1 January 2011, the ACA has been entitled to audit those with more than 10,000 inhabitants. This extended audit responsibility has prompted the ACA to develop a new tool to monitor the financial health of Austrian municipalities. This tool, Municipal Monitoring, provides a sustainable and comprehensive evaluation of the financial situation of the municipalities.

Municipal Monitoring provides a profile for each of the 2,356 municipalities with due consideration of factors relevant for the financial management of the municipalities. Based on this, the municipalities are assessed on their significance for the audit activities of the ACA and are ranked according to their relevance for audit.

Municipal Monitoring is based on a model comprised of indicators that are compiled as assessment indicators broken down by themes.

From these, a statistic is derived between 1 and 100 that discloses the relevance for audit. This model enables a weighting of indicators according to specific issues. In order to assess the relevance for audit, the ACA uses ‘risk potential’ and ‘financial situation’ as the indicators for a basic setting. Depending on the issue raised, other types of indicators can also be used.

The assessments prepared by the Municipal Monitoring tool are primarily used by the ACA for audit planning and preparation.

Upon request, and in line with its advisory approach, the ACA can also provide the results collected from Municipal Monitoring to the respective municipalities free of charge.

For further information on Municipal Monitoring, please contact: office@rechnungshof.gv.at
Master of Business Administration (MBA) Programme: Public Auditing for public auditors

The ACA perceives its staff as its greatest asset. Its achievements are shaped by their knowledge, quality and performance. With dynamic changes in the public sector, the role of public auditors is going beyond traditional audits on the compliance and economy of public spending. In an evolving environment, modern government auditing has to face new challenges to keep abreast of new developments. The further academic and practical training of all public auditors, in-house as well as at the university and the international level, must be given top priority and thus advanced by all means available.

Against this background, the ACA has conducted the ‘Professional Master of Business Administration (MBA) Programme Public Auditing’ for its auditors in cooperation with the Executive Academy of the Vienna University of Economics and Business since 2006. This high-level training provides professional audit-related knowledge and experiences both on a scientific and practical level. The trainees acquire a deep knowledge of economics, financial economics, accounting and general management as well as specific training in audit processes, methods and standard.

This MBA takes four terms, which comprise 13 teaching blocks of four to five days each, or 30 learning modules. The professional MBA comprises general management modules and audit-specific modules. The management modules provide a broad based introduction to economics and business management including lessons on economics, management, data analysis, reporting, controlling and marketing. The audit specific modules deepen this exposure with a focus on areas more specifically related to auditing, including such topics as Finance and Accounting, Public Sector Economy, and Law and Auditing Processes. These modules, plus the master thesis, cumulate in the successful completion of the business core.

The professional MBA programme is designed to equip participants with relevant skills and knowledge they can use throughout their professional careers. It is also available to staff from other institutions and offers valuable exchange of knowledge with external participants.

Since its launch, 80 auditors of the ACA and 35 employees from other organisations (e.g. audit institutions of the Laender or internal auditors of ministries) have successfully completed the programme. In October 2013, the fifth MBA course started with 21 participants.

For further information on the Professional MBA Programme Public Auditing, please contact: office@rechnungshof.gv.at
Securely transmitting audit evidence from everywhere

Gathering data from, and exchanging data with, auditees is an integral part of any audit. ECA auditors are confronted with the challenge of securely sharing large files with auditees around the globe. Traditional email solutions are unsuitable for sending and receiving big data. Exchanges and standard internet-based solutions are insufficiently secure.

The ECA has thus implemented a solution for file sharing. The platform is called Postfiles and has been operational since 2010.

Initially, the objective was to allow the transfer of very large files. Nowadays, this web-based application has become a standard for ECA users to exchange any file with external parties. More than 8,000 file exchanges occur every month. A complete security scheme is in place based on the https protocol, firewalls, antivirus, brute force attack detection mechanisms and sandboxes for mobile usage.

Platform-independent, armed with only a browser and an email client, ECA auditors and auditees now take full advantage of this user-friendly solution. Uploading and downloading files and folders are simple and intuitive, as well as creating shares, receiving alerts or managing contacts.

As users are often on the move, in 2013 the ECA bought a mobile application that facilitates interaction with Postfiles, empowering staff to access and share data from smartphones and tablets.

Today, ECA auditors can drop content, in particular when being on mission, at anytime from anywhere and in a secure manner. A picture taken on the spot from a smartphone, a document scanned with a portable scanner or any other electronic evidence can now be securely and instantly transferred to ECA headquarters and accessed both from auditors still in the field or colleagues in Luxembourg.

For more information on ECA’s approach to sharing secure information, please contact:
Ms Magdalena Cordero on magdalena.cordero@eca.europa.eu

Spreading out key audit messages to wider audiences – EU auditors go social

A few years ago, it would have been hard to believe that the ECA could tweet on its audit observations in less than 140 characters. Nor could one have imagined that it would deliver its key messages on its special reports in two minutes flat on a dedicated You Tube channel, EUAuditorsECA.

Following a review of our communications tools and practices, in 2011 we started using the Twitter account @EUAuditorsECA for our press communications. Since then we have tweeted over 800 times and currently have nearly 1,700 followers. As a result, our 2013 reports and other communications activities have so far generated around 10,000 tweets, 6,500 recommendations, 26,800 likes and 27,100 direct comments on the related press articles.
In 2013, we also launched our corporate film on the new YouTube channel – gradually introducing the film in all EU languages thus hoping to find new audiences among the general public. Our communications staff acquired audio-visual material and skills, and started filming interviews in a journalistic style with the ECA members responsible for a particular report. It is challenging to be brief, clear and balanced, and produce visually interesting material on often very complex audit topics.

To make the key messages of the 2012 Annual Report better known, we launched a multimedia online campaign in November 2013, with a trailer resulting in 166,400 views and a Facebook reach of 233,000 people.

All in all, we produced and published 50 videos in 2013 contributing to an increased awareness of the role and the work of our audit institution, in a more accessible format than the published report or a written press release.

Our next step is to engage more with the public and reach out to the various stakeholders of our institution. Follow us @EUAuditorsECA!

For more information on this initiative, please contact:
Helena Piron Mäki-Korvela on: helena.piron@eca.europa.eu, @PironHelena

Developing capacity to audit EU financial and economic governance

The EU response to the current financial and sovereign debt crisis involved a number of new legislative measures, overhaul of the supervisory system of the financial sector and massive international interventions to support the affected countries. In response to these new developments at EU level, the ECA decided to create a special project team in order to build up its capacity to audit the area of EU financial and economic governance.

To bring together, from across the ECA, auditors with the profiles and expertise most appropriate for participating in such audit tasks, the ECA organised an internal call for expression of interest. To train the auditors, a number of specialised training sessions related to the field were organised. An external recruitment of a senior expert has been organised to complement the internal expertise. Furthermore, each audit plan envisages the review of the audit methodology and conclusions by an advisory panel of independent experts.

The project team’s first audit engagement focuses on the Commission’s role in designing and implementing the macro-financial assistance programmes provided under the Balance of Payment and European Financial Stabilisation Mechanism. The audit covers assistance programmes to five Member States (Hungary, Ireland, Latvia, Portugal and Romania) and assesses the extent to which the programmes achieved the intended outputs and immediate results. In identifying the audit methodology, the audit team consulted a wide range of publications such as evaluations of IMF programmes and EU programmes to third countries, publications and guidelines of independent institutes and think tanks and academic research. The audit is currently ongoing and the publication of the final report is expected in the first half of 2015.

For more information on the ECA’s approach to this audit, please contact:
Mr Josef Jindra on: josef.jindra@eca.europa.eu
A workplace that enables knowledge sharing

As a knowledge-based organisation, the ECA needs to help staff access information at any time and from anywhere so as to continuously improve its efficiency. This applies not only outside the office but also within the ECA buildings.

The ECA’s internal mobility approach is thus about allowing officials to work at any place inside the Court’s premises: the three main buildings in Luxembourg, as well as a small annex in Brussels. It is also about digitising the workplace through modern technologies, which enable a better collection, processing, sharing and dissemination of knowledge.

Internal mobility in the ECA is based on three pillars:

1. The first pillar is a ‘laptop for everybody’ policy. Laptops have completely replaced desktop computers, they are now provided to nomadic staff such as auditors and other frequent travellers, who can choose the size and weight of their machines, but also to more office-based staff who can use them as a fixed computer with a docking station. Even predominantly office-based staff can be actively mobile internally.

2. The second pillar is a complete coverage of the ECA’s buildings by Wi-Fi, offering an automatic and transparent connection to the internal corporate network, as well as a guest portal to the internet on private devices. Officials can now take their laptop and continue working at any point in the premises, including not only offices and meeting rooms, but also common areas such as the cafeteria, corridors and adjacent outside spaces.

3. The third pillar of mobility is the introduction of VoIP (Voice over Internet Protocol) inside the buildings with specific IP-phones and a soft phone (phone computer software), so that staff can answer phone calls wherever they are. The combination of VoIP with other existing technologies enables unified communication, which is a seamless integration of email, instant messaging, presence indicator, voice, audio and video for everyone and from everywhere.

For more information about the ECA’s approach to accessing IT, please contact:

Magdalena Cordero, Director Information and Technologies on: magdalena.cordero@eca.europa.eu
Good practice guides

The German SAI produces many audit findings and recommendations that are of a generalisable nature beyond the individual case under audit. If decision makers in federal departments and agencies had access to such findings and recommendations, these could be used in a more structured way and would help enhance compliance and performance of government operations. Such findings would also help to avoid typical shortcomings.

The President of the German SAI traditionally serves as a Federal Performance Commissioner. In this role, he puts forward proposals, reports or opinions in order to enhance the efficiency of federal government departments and agencies. Through this role he has decided to publish good practice examples derived from the German SAI audits so that they can be used by federal managers. This is being done initially on a case-by-case basis and draws on audit findings of a cross-cutting nature. This step-by-step approach has resulted in the compilation of a structured collection of good practice items. The guide is divided into several chapters (e.g. human resource management, grants, public procurement). The first set of items was published in spring 2013 and the current version of the guide is posted in German online.

The good practice principles are designed to provide quick information on specific topics. They are presented in a concise format – the recommendations at the beginning followed by comments on the underlying audit findings. Some good practice principles also contain additional information. Once individual items are no longer up to date (e.g. due to statutory amendments or recent findings), they will be revised or deleted.

For further information, please contact: international@brh.bund.de

1 www.bundesrechnungshof.de/de/veroeffentlichungen/leitsatze-der-externen-finanzkontrolle
Georgia: State Audit Office of Georgia

Promoting medium-term fiscal sustainability

The consequences of the global economic and financial crisis have intensified the debates on the roles and responsibilities of the SAIs in securing and promoting the medium- and long-term fiscal sustainability of public finances. This may extend beyond the borders of traditional auditing of retrospective financial statements.

With emerging challenges, the focus is therefore on enhancing our role as an independent external public audit institution in monitoring the fiscal and budgetary policy, as well as reinforcing fiscal transparency in the wake of the ongoing reforms in the public financial management system of the country. This was reflected in our Opinions on the Draft Law of the State Budget for the upcoming fiscal year. This is according to the existing legislation which examines the reasonableness and legality of the budgetary estimates envisaged by the proposed draft budget law.

Considering the framework set out by the International Standard on Assurance Engagements applicable to the examination of prospective financial information, the SAO Opinion on the Draft Law of the State Budget assesses whether:

- macroeconomic and other relevant material assumptions provide a reasonable basis for the budgetary aggregates envisaged by the Draft Law on the State Budget;

- the financial information presented by the Draft Law on the State Budget is properly presented in accordance with the existing financial reporting framework and all material assumptions are adequately disclosed within the relevant enclosed materials.

The abovementioned framework enables us to encourage the government to place further emphasis on the reasonableness of the medium-term economic outlook used as a basis for the proposed draft budget. This acts as a cornerstone for a sound fiscal framework and accurate budgetary estimates for the upcoming year. Secondly, assessing the reasonableness of the budgetary estimates, in particular the revenue projections, and monitoring the compliance of the proposed draft budget with the existing fiscal rules, enables us to point to possible fiscal risks that the proposed draft budget may entail. Finally, looking at the presentation of the budget draft as well as supplemental information, there is a possibility of promoting better practices for the disclosures and transparent fiscal reporting. This ensures that the Parliament and the public have an accurate and realistic picture of the proposed draft budget for the year ahead in the light of the medium-term fiscal framework.

For more information on our approach to the preparation of the Opinion on the Draft Law on the State Budget, please contact:

Tinatin Genebashvili on: TGenebashvili@sao.ge
Managing office space better
Following a managerial decision in 2011, improved arrangements have been introduced to better manage office space at the State Audit Office of Hungary (SAO). This allowed for a significant reduction in the office rental and operations cost. This was done with full regard to the professional needs of staff and the organisational needs to manage work flows and maintain flexibility.

The SAO provides office space for 485 employees in the capital city Budapest spread over five locations, two of them being rented. However, with the introduction of the new open plan office covering 5281m², the 485 employees will be accommodated in the newly refurbished office. In 2012 and 2013, the SAO saved approximately 33m HUF per year and it is expected to save 65m HUF in 2014. Moreover, expenses related to the operation of the buildings and public utility fees have been decreased by 12 per cent per year on average.

Based on the comparison of costs and savings, the payback period of the investments is about three years. Further economies were achieved as the relocations were also carried out at the same time as planned renovations. The re-design of the office was done in a way which will enable the SAO to progressively allow auditors to work away from the office as teleworkers.

For further information on the SAO’s space utilisation project, please contact the Department of Methodology and External Relations on: international@asz.hu

Enhancing the efficiency of resource management
In order to put the SAO’s strategic objectives into practice, in December 2010 a presidential decision was taken to restructure the organisation. Following the restructuring, the old department and unit-based organisation was closed and the Office of Auditors, including all auditors of the SAO, was brought to life.

In order to achieve the optimum utilisation of resources, the SAO supports project work. The Office of Auditors’ Coordination Unit assigns tasks to the auditors on the basis of their previous appraisals. The Unit is continuously updating its skills and systems to be able to allocate staff resources in a flexible manner.

In this new operational system, there is a greater chance for the most appropriate colleagues to participate in a given audit, thus promoting the efficiency of resource management and improving staff morale and motivation.

For further information on the staff allocation system in the SAO, please contact the Department of Methodology and External Relations on: international@asz.hu
New media – new communication channels

The Office of the State Comptroller and Ombudsman of Israel (SAI Israel) has been intensively engaged, during the last year, with fundamental questions regarding the relationship between the State Comptroller and the new media channels. SAI Israel has developed a comprehensive plan for engaging with this fascinating world and in May 2013 inaugurated the State Comptroller and Ombudsman’s Facebook page. This page is updated on a daily basis with regular posts of audit reports and other activities of the office and through it SAI Israel receives many public enquiries.

In addition, we have opened a YouTube channel, and now we are getting ready to open the renewed website, which will serve as the basis for the entire online activity of our office. At the same time, we are working hard to use additional tools from the new media world to disseminate the work of the SAI Israel to the public at large. Thus, for example, parts of the audit reports will be turned into short accessible videos that will convey the principal findings that were published in the written reports. These videos offer readily available, short and easily comprehensible alternatives to long complicated texts. In addition, we are examining the development of a SAI Israel application for mobile devices and the use of QR code in the office publications – tapping into the Israeli mobile arena, which is one of the most active mobile arenas on the globe.

Along with disseminating information to the public we are also exploring various ways to harness the numerous advantages afforded by the internet and the new media for the improvement of audit work, in particular the ability to engage in two-way communication with the public. Thus, for example, it is possible to conduct ‘public hearings’ on the website or 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’s work can be provided to the public.

For more information on the Office of the State Comptroller and Ombudsman of Israel’s new media strategy, please contact:

Mr Shai Mizrahi on: shai_mzr@mevaker.gov.il or Mr Matan Gutman on: matan_gut@mevaker.gov.il

Online system for reporting on the rectification of defects

Another innovative aspect of the works of SAI Israel relates to ways of dealing with the results of audit, namely, rectification of defects. In line with the law, where an audit reveals defects in the activity of an audited body, that body must report to SAI Israel detailing the method and timeframe for rectifying defects. A special follow-up unit within SAI Israel tracks the rectification of these defects. 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. An online defects’ rectification reporting system, which is 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 and defect prevention.

For more information on the Office of the State Comptroller and Ombudsman of Israel’s online reporting of defect rectification, please contact:

Mr Shai Mizrahi on: shai_mzr@mevaker.gov.il or Mr Matan Gutman on: matan_gut@mevaker.gov.il
Lithuania: National Audit Office of Lithuania

Planning and monitoring system for more efficient performance

To increase the efficiency of organisational performance, the National Audit Office of Lithuania (NAOL) has introduced an information system for performance planning and monitoring based on project management principles. This ensures the economic and sound use of available resources and allows reasonable and effective performance planning and monitoring, as well as implementation of goals.

The system comprises three components:

- **Planning** – includes all institutional functions and processes, as well as human resources.
- **Performance** – covers audit documentation, implementation of other tasks and work time recording.
- **Monitoring** – allows for monitoring the execution of functions and tasks in real-time.

The newly introduced system will facilitate a more reasonable planning of organisational tasks and better allocation of human resources. Performance monitoring on a real-time basis will allow a timely assessment of the risks to implementation of tasks and achievement of results. It will facilitate appropriate and timely management decisions. The new system will also provide a thorough analysis of audit processes, thus making it possible to record the amount of time spent on audits and an evaluation of the audit costs.

The performance planning and monitoring system will be linked to the existing information subsystems (document management and recording of audit results). Audit documentation in this new system will be easier and of a higher quality. The interface between systems will prevent the duplication of information in several databases and will facilitate information search.

The system will help to save working time and will enable the NAOL to focus more on the implementation of immediate functions and tasks. Covering all levels of the organisation, from organisational strategy to individual plans and indicators. It will also provide a complete view of the implementation of the NAOL plans and goals, contributing to an improvement in overall organisational performance.

For further information on the new information system, please contact:

Inga Tarakavičiūtė on: inga.tarakaviciute@vkontrole.lt

Socialisation of new staff members in the National Audit Office of Lithuania

Socialisation of new staff members in the NAOL is a process whereby newcomers acquire the social knowledge and skills necessary for successfully assuming their role. This process aims to help new employees to overcome the stress of entering a new organisation. Socialisation lasts at least three months and plays a critical role in influencing not only the performance results of staff, their satisfaction and commitment to the organisation, but also the duration of employment. Therefore the NAOL pays particularly close attention to this process.
Socialisation of newcomers in the NAOL happens in several stages.

On the first day in the office, a new staff member is welcomed by the Auditor General. They are introduced to their Department as well as to the NAOL’s internal rules and given a tour of the office. During the tour, the history of the NAOL is briefly presented, and elements of organisational culture are discussed. Every newcomer is given an integration plan, which includes tasks that should be accomplished on their first day in the office. Each task includes the name of the key contact person for easier communication. Additionally, the newcomer receives intranet training and training on how other systems work. He or she is also introduced to the administrative divisions, team members and mentor.

The newcomer is provided with all the necessary equipment and an electronic version of the New Employee Handbook. The Handbook is a guide which answers the questions likely to be asked by a newcomer, i.e. ranging from working hours to development possibilities and the social environment. The Handbook is constantly updated on the basis of the comments and questions raised by each batch of newcomers.

The key person in the socialisation process is a mentor. His or her function is to answer newcomers’ questions, facilitate their adaptation process and help them to understand the functioning principles of the organisation. Mentors are experienced employees of the same or another division who perform similar functions.

Induction training is a further stage of socialisation. The aim of this training is to convey the philosophy and functioning principles of the NAOL and help the new staff member to learn about possibilities in the NAOL, answer questions, and present the activities and functions of all the NAOL divisions. Identical training is offered to auditors and administrative staff, as this training is aimed at broadening rather than deepening knowledge. New auditors receive separate training to help them improve their technical competencies. Induction training is completed with a traditional event known as the New Employee Day. During this day, new staff members are divided into different teams and have to perform tasks related to the institution but involving long-term employees. At the end of the event, newcomers receive symbolic gifts.

The socialisation process finishes after three months with a meeting between an employee, his immediate manager and a mentor. During this meeting, an employee receives feedback and sets topics for their individual training plan.

For further information on the socialisation of new staff, please contact Augustas Ručinskas on: augustas.rucinskas@vkontrole.lt
Macedonia: State Audit Office of the Former Yugoslav Republic of Macedonia

Data processing system

One of the main priorities of the State Audit Office (SAO) of Macedonia SAI is to create customised, integrated and functional software for processing data from audit reports. This aligns with the development strategy covering the period from 2010 to 2014. It also covers the objectives for improving audit quality and monitoring the effects on conducted audits.

In this respect, SAPRI software was introduced. It is based on modern technical and technological solutions, development platforms, and security and backup options. It ensures information is administered in an efficient and timely manner, and provides accurate information in accordance with the needs of the SAO. It also offers continuous exchange of data within the SAO as well as with the Parliament, SCPC, and other institutions in line with the mandate.

One of the key features of SAPRI is to provide protection and security of data and resources across all levels of data processing. It manages resources by precise definition and access to these resources is available both at physical and application level. The software was also used to collect comparative data on the audit results from 2011 to 2012 as part of the SAO’s Annual Operational Programme.

Overall, SAPRI is easy to use and allows different reports to be generated in various formats such as graphs, tables and pie charts. The following modules are part of the SAPRI software programme:

- Registration of entities subject to audit.
- Preparation and monitoring of SAO Annual Programme for Operation.
- Recording data from audit reports.
- Processing, monitoring and analysis of the status of the recommendations.
- Output reports.

For more information on SAPRI, please contact:

Aleksandar Popovski, Head of Department for Legal and General Affairs and Public Relations, on:

aleksandar.popovski@dzr.gov.mk
New document management system
To be able to carry out its work efficiently the Polish Supreme Audit Office (NIK) needs to be able to collect, process and retrieve substantial volumes of documents. This is true for the work of performance auditors as well as those ensuring the institution functions. It is important to recognise also that NIK is widely dispersed, operating across a HQ and 16 regional offices. Auditors fulfil most of their duties outside their office. They draft and collect documents, which later become case files in the audited entities and the volume of these documents can often reach thousands of pages. The efficient management of documents, their safe access, and the ability to use them for group work are vital if the auditors are going to be effective and efficient.

To deal with this issue, NIK have introduced a new system of Documentation and Issues Management (ZDiS). This system includes:

- receiving documents;
- assignment and distribution to particular employees;
- setting up of correspondence and issues’ registers;
- drafting and assessment of documents;
- mailing to the addressees;
- efficient document search;
- grouping documents in accordance to issues they refer to;
- protection against unauthorised access;
- monitoring of deadlines;
- central document and issues repository;
- exchange of information with other systems; and
- archiving.

The system processes documents irrespective of their forms (i.e. notice, letter, fax, email) and place in which they were prepared (internal and external correspondence).

ZDiS is integrated with previous applications, systems of information collection and processing which function in NIK. It is therefore not necessary to enter the same data into different systems. Furthermore, the experience and knowledge gained during the implementation and use of the application eSzafa (Electronic Documents Storage) were taken into consideration during the process of system development.

It is expected that the introduction of the ZDiS system will decrease the number of documents in paper form, in favour of electronic documents. This is because the system enables staff to settle most of the internal cases electronically.

Additionally, the ZDiS system will play the role of the virtual desk and will be the main tool during the work with documents irrespective of the workplace.

For more information on the electronic document management system in NIK, please contact:

Waldemar Klimowicz from the IT Department:
waldemar.klimowicz@nik.gov.pl
Evaluating impacts of governmental measures: monitoring mechanisms for financial assistance to Portugal (Audit Report no. 28/2013)

Given the scope of the measures envisaged in the Memorandum of Understanding on Specific Economic Policy Conditionality (MoU), signed in 2011 between Portugal and the European Union, the Court gave priority to monitoring those measures relating to public administration. Particular attention was paid to the impact of the measures on staff expenditure in the fiscal year 2012. An analysis was made also on how the measures had evolved from the initial memorandum up to the MOU’s seventh update.

This analysis aimed to evaluate for a sample of measures their programmatic content, the time of their insertion in the financial assistance programme, the deadline initially foreseen and its observance, with reference to the first half of 2013. The Court’s main observations were as follows:

a The implementation of the revised Budgetary Framework Law helped improve the budgetary process by including in its scope entities which were previously excluded. The Court also found that reporting and information monitoring had advanced in areas such as budget execution. This was particularly with regard to the scope of the entities and the quality of the information disclosed which now includes commitments and payments in arrears as well as information about public employment.

Notwithstanding these positive findings, the Portuguese SAI pointed out that there were still ongoing failures in the information reporting system on the implementation of the local budget.

b The target reduction of employees in the central administration (2 per cent) was largely exceeded (5 per cent).

c The operating costs of the non-financial public enterprises’ had tended to decrease compared to 2009. However, overall levels of debt had increased by 2.6 per cent in 2012 compared with 2011.

d Considering the Reduction and Improvement Plan for Central Government – PREMAC – the Court found that:

- The universe covered had been overestimated resulting in the setting of a target to reduce managerial positions by 27 per cent – something which in reality will never be attained.

- Similarly, there was a target to reduce the number of staff at higher levels by 40 per cent across central government. Whereas, there was a reduction of 14 per cent by 31 December 2012 and 19 per cent by 31 March 2013 – both values being significantly lower than the target.

- In terms of impacts, the Court highlighted that the reduction of structures and managerial positions advocated by PREMAC does not ensure restructuring of the central administration of the state. The Court concluded that the plan is not yet complete and without a robust system for monitoring the budgetary impacts emerging from the reorganisation of central government, it will be impossible to assess the effectiveness of the reforms.

- Although the State budget in 2012 announced major measures to reduce public expenditure, the General State Account did not present the results obtained from these measures. This makes it impossible to evaluate the results and lacks the level of transparency needed for the public to access the public accounts.
As a result, the Court’s main recommendations to the government were:

- To publish quarterly reports on the implementation of the measures contained in the MoU.

- To take steps to prepare and publish a final report on the implementation of the financial assistance programme. On completion of this programme, an assessment of compliance with the qualitative and quantitative targets should be performed. Additionally, there needs to be an identification of associated financial resources to check whether savings had been achieved or additional revenues obtained.

- To, in the particular case of PREMAC, accelerate the completion of the reorganisation proceedings arising from the implementation of the Plan. Subsequently, a final report needs to be prepared incorporating information on the results attained, as well as the extent of savings achieved.

- To ensure that the General State Accounts provide information about the implementation of fiscal consolidation measures and take into account the legality, equity, efficiency and effectiveness of the policy measures. It also ensures that the principles of greater transparency and publicity should govern the presentation of public accounts. This will facilitate a comparison between estimates and results, in a more sustained manner.

For more information, please contact:

Ms Teresa Garrido on: TeresaGarrido@tcontas.pt
Internal communications

A well-functioning internal communications system is a prerequisite for the coordination of the operations of the Swedish National Audit Office (SNAO). It is important that staff have an overview of the organisation’s work and fully understand its operations and work processes. However, internal communication is not just a matter of management and information. It is also about developing and managing various meeting forums to create opportunities for dialogue and culture-bearing activities. Members of staff should feel well informed, but equally find it easy to contribute to the information, and to provide feedback and criticism. A shared sense of commitment and identity helps in achieving the SNAO’s goals and in turn helps to ensure that external communications are clearer, better coordinated and more efficient. The SNAO uses a range of different fora to maintain an open dialogue with staff including:

Auditors General staff breakfasts

Annually, all staff members receive a personal invitation to participate in a breakfast with the Auditors General. On each occasion, between six and eight members of staff meet with the Auditors General for about one hour over breakfast, to introduce themselves and to bring up issues from their daily work. The meeting has no agenda, but the employees initiate the content entirely. It is meant to be an opportunity for the staff to give informal and straightforward feedback to the Auditors General. Additionally, it is also an opportunity for the Auditors General to listen and collect views from different parts of the organisation.

The breakfast meetings are arranged by the Communications Unit. The participants are selected based on a mix of gender, seniority and organisational affiliation. A member of the Communications Unit is always present at the meetings, to take notes of what is being said and to ensure follow-up and not leave important and recurrent matters unattended.

The breakfasts are not only an opportunity for staff and Auditors General to meet, but also for representatives of different departments to meet and get to know each other. It also provides a forum to discuss issues which might be of mutual interest. These meetings allow better understanding of the role of the employees, the management and the work of different organisational units of the SAI. It helps create a common picture of the SNAO and its current activities.

Weekly staff meetings

Each week, the Auditors General holds meetings for all staff. These meetings are not obligatory, but it is highly recommended for all to attend. During these meetings, the regional offices are connected via video conference. The purpose is to keep staff updated on current issues, of either direct or indirect interest or importance to the SAI. The agenda may include information about meetings at the Riksdag (Parliament), participation in different national or international meetings, bilateral visits to other SAIs, as well as presentation and outcomes of such meetings and recently published reports. Furthermore, items can be related to the organisation’s development efforts and processes (i.e. strategic plan or annual audit plan), different internal assignments and organisational changes. The weekly all staff meeting is a complementary channel to the intranet and the departmental meetings. It is aimed at creating involvement and ensuring that employees are accurately informed. On these occasions, members of staff are invited to present their participation in different projects together with the Auditors General. Minutes from these weekly meetings are immediately published on the intranet for those who could not attend.

For more information on the internal communications strategy of the SNAO, please contact: KOM@riksrevisionen.se
Post-election meetings for new Parliamentary Committee members

Every four years following the general election, new members are appointed to the Swedish Parliamentary Committees. To ensure that these new members better understand the work of the SNAO once the Committees are constituted, the SNAO invites representatives to visit the office. The Auditors General along with the relevant staff profile, provide an overview of the SNAO and its mission and describe the ongoing audit activities and planned audits which may fall within the visiting Committee's area of interest. The meeting format is relatively informal and encourages questions and discussions. It is an excellent opportunity for knowledge exchange and networking, which is usually appreciated by staff and parliamentarians alike.

For more information on the SNAO’s ways of working with new parliamentary committees, please contact: KOM@riksrevisionen.se

The Scientific Council

The Scientific Council is an advisory body to the Auditors General, in the first instance with respect to issues of method and strategic matters. The Scientific Council’s members have represented different parts of the academic world, and the assimilation of knowledge has until recently been based on input from scholars from several Swedish universities.

In 2013, however, the SNAO initiated a new way of collaborating with the academia, by focusing on the vast expertise gathered at the University of Gothenburg. The cooperation includes access for the SNAO to the knowledge available within the university. The agreement commits the university, in their free academic role, to convey scientific discoveries, knowledge and insights to support the Auditors General’s independent choice of audit areas.

Three scholars have been appointed councillors by the University of Gothenburg for this task. In addition to their areas of expertise, the councillors act as links to the university’s various disciplines and institutions to accommodate requests for multidisciplinary perspectives and depth in different issues. The ambition is to enhance and initiate a comprehensive exchange of knowledge between the university and the SNAO.

The current agreement with the University of Gothenburg runs for a period of two years, to then be evaluated. The SNAO has, over the years, benefited greatly from the work of the Scientific Council and it is hoped that the outcome of this new form of cooperation will enhance the cooperation even further.

The written material prepared for the council’s meetings and meeting minutes are always available on the SNAO’s intranet.

For more information on the work of the Scientific Council, please contact: int@riksrevisionen.se
Innovative reporting: the case of DBFMO from the Netherlands Court of Audit

Design, Build, Finance, Maintain and Operate (DBFMO) contracts are a form of public–private partnership that the government uses on building and infrastructure projects. In a DBFMO project, the government commissions a private consortium to build and operate a project, with the private party also arranging the project's financing. The government pays the consortium a fee for the project's availability throughout the entire term of the contract. The contract has a long term, often of up to 30 years. At the end of 2012, 13 such contracts were being implemented (for six roads and seven buildings), with an aggregate contract value of more than €6 billion. The government has estimated that these contracts will save it €800 million in total. The Court of Audit has audited the government's management of the contracts and its provision of information to the House of Representatives. The report Contract management of DBFMO projects can be found on our website: www.courtofaudit.nl

Report with visuals and infographics

What do you do when you want attention for such a complex and unfamiliar topic from the public that is already overloaded with information? Answer: you make sure that the information is presented in an attractive way to the public. In the world of Supreme Audit Institutions words are still the dominant communication form of information. That is simply not enough in this era, where its not the lack of information that is the problem, but the abundance of information. That is why the Netherlands Court of Audit looked for new, more effective ways of communication. In the audit report, words have been supplemented with images and infographics used to explain the most important elements of the contract and to show the conclusions of the report. These images were used in all communication of the audit project (report, briefings presentations and website) for ministries, parliament and the general public alike.

A webinar

The Court of Audit shared the findings of the audit of this type of public–private partnership with local audit offices and audit committees by means of a webinar, an online seminar. What are the consequences of the new form of DBFMO contract management for local authorities? The webinar took a closer look at this form of partnership, answering such questions as, What is DBFMO? What opportunities and risks does it present? What is the relevance of the Sustainable Public Finances Act? What can local audit offices audit and how should they approach DBFMO contracts? We intend to make far greater use of such interactive forms of knowledge sharing in the future. The webinar can be viewed free of charge but you must register to see it.

To register, please visit www.webinar.nl. If you have any questions, please contact webinar@rekenkamer.nl

For information about this project you can contact: Diny van Est, PhD, on: d.vanest@rekenkamer
New accountability audit website

In June 2013, The Netherlands Court of Audit (NCA) launched an accountability audit website\(^2\) (VO-online). This website lists the results of the accountability audits of 2011 and 2012. With this website, the NCA seeks to improve the access to accountability audit results. As opposed to traditional paper reports, users can now easily quickly scan information and if they want, look for more detailed information after a ‘click’. Users can also:

- compare ministerial departments; and/or
- compare different years;
- search for certain topics or keywords; and
- filter results (for example: show me for 2012 only the misstatements in financial regularity).

Because the website proved to be popular with our reports user groups, in 2014 we have taken the step to no longer publish a traditional accountability report, but only the VO-online website. Even more than last year, we will make website specific texts and images. Our auditors this year write their results in a specially developed reporting tool, which is a database with the same interface as the website itself. We are also developing interactive versions of some of the infographics we use on the website.

For more information, please contact Ms Martine Hendriksen, senior advisor communication: m.hendriksen@rekenkamer.nl

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\(^2\) verantwoordingsonderzoek.rekenkamer.nl
**Verantwoordingsonderzoek**

**Zoeken in het onderzoek**

U heeft gezocht op: **Toeslagen**

Er zijn 8 resultaten:

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<td>Aandachtspunt</td>
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<td>Parlement niet altijd ingelicht over beleidsmatige slotwijzingsbeslissingen</td>
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<td>2011</td>
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<td>Onvoldoening</td>
<td></td>
<td>2012</td>
</tr>
</tbody>
</table>

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**Verantwoordingsonderzoek**

**Regionalisering postennetwerk komt op gang**

In 2010 is het project Regionalisering gestart, waarbij werkzaamheden van het ministerie in het buitenland per regio geconcentreerd worden in zogenaamde Regionale Service Organisaties (RSO's). Het ministerie heeft goed zicht op de risico's van het project. Het projectteam Regionalisering houdt in de zomer van 2013 op te bestaan. Wij vragen aandacht voor het vasthouden van de regie op het project. Verder vragen wij aandacht voor het inrichten van efficiënt en effectief toezicht om de risico's in de kwaliteit van de dienstverlening en de bedrijfsvoering te beheersen.
CONTRACT MANAGEMENT IN RELATION TO DBFMO PROJECTS

A handy summary of our audit into contract management in relation to DBFMO projects.

1 DBFMO IN A NUTSHELL

More and more often, whenever the government decides it would like to construct a new building or build a new road, it does so in partnership with a private-sector consortium, using a ‘DBFMO’ contract.

The consortium is responsible for all aspects of the project, from design to maintenance, over a long period of time.

The government and the consortium sign a long-term contract.

Regular payments follow, based on the principle of ‘payment by results’. This principle is followed throughout the full term of the contract and applies to all DBFMO components.

This type of contract offers added financial value and added quality if the project in question is properly performed.

2 BASIC PRINCIPLES

a) The policy is to use DBFMO contracts as a rule. The rule may be disregarded only in exceptional situations.

b) Added value must be created.

c) A DBFMO contract means ‘no winnies’ for the government body in question.

A total of 13 DBFMO projects were underway in 2012. Five of these projects were examined by a team auditors from the Court of Audit.

3 FOCUS

Our auditors looked at contract management and at the information supplied to the House of Representatives.

4 WHAT WE FOUND?

WHAT WE EXPECTED

The principle of ‘payment by results’ should encourage the consortium to perform well during the entire term of the contract. Any decline in standards or performance should trigger a penalty.

WHAT WE FOUND IN PRACTICE

 Consortia performances are not monitored as well as they ought to be.
 The government is not consistent in imposing fines and discounts.
 The government makes guaranteed or lump-sum payments.
5 MAIN CONCLUSION

* Better contract management in relation to DBFMO projects is needed to safeguard the public interest and secure added financial value.

* In order to assess the pros and cons of DBFMO, the House of Representatives needs information on the performance of DBFMO contracts.

WHY IS THIS IMPORTANT?

CONTRACT MANAGEMENT

DBFMO is about more than just agreeing on certain contract terms. It is important to adhere to contractual arrangements in order to safeguard the public interest and secure the added financial value that DBFMO contracts should generate.

INFORMATION

Although DBFMO is regarded as a ‘technical’ issue, the decision to opt for DBFMO is a political choice. Both large amounts of money and huge interests are at stake.

The contracts affect budgets over many years, and change the role played by the government as a contracting authority.

There are specific risks inherent to DBFMO contracts that must be monitored during the term of each contract.

IN OTHER WORDS

There needs to be a shift in emphasis away from information on contract terms to information on contract performance.

INTERESTED IN FINDING OUT MORE ABOUT THIS AUDIT AND THE AUDIT FINDINGS?

Read the report entitled “Contract management in relation to DBFMO projects”

WWW.REKENKAMER.NL/DBFMO
A new audit approach for the performance-based budgeting

The approach of using institutional performance measurement as a means to increase accountability and transparency in the public sector has gained increasing prominence. The most significant element of this approach is the development of measures of performance which help assess the extent to which public resources are being used effectively, economically and efficiently by public entities to achieve their aims and objectives.

As this approach has gained momentum, it has become necessary for the external auditors to examine the performance information which underpins such systems. As part of this, it is also necessary for auditors to understand the logical connection between an organisation’s aims and objectives, the activities it plans to carry out these aims and objectives and the measures in place to monitor the activities.

Changing system of public financial management and performance-based budgeting

After the enactment of the Law No. 5018 on Public Financial Management and Control, a shift was made to the performance-based budgeting system. This has required the public entities to establish their medium- and long-term aims, objectives, and indicators in their strategic plans and, in their performance programmes, prepare their budgets on the basis of these objectives. At the end of the year, the public entities are required to report their performance against their objectives and indicators in their accountability reports.

The Strategic Plan, Performance Programme and Accountability Report constitute the building blocks of the performance-based budgeting system. By drafting these documents, the public entities inform the public, councils of local administrations, and the Turkish Grand National Assembly (TGNA) about their objectives, activities and resulting performance. The ultimate purpose in the application of this mechanism is the establishment of a transparent and accountable financial management system.

The Law No. 6085 on Turkish Court of Accounts (TCA) and Audit of Performance Information

According to the TCA law, audit of performance information “shall be carried out through measuring the activity results related to the objectives and indicators determined by administrations within the framework of accountability”.

As is understood from this definition, the audit of performance information is based on verifying the performance information produced by the public entities. Performance information audit reports the findings/results on the institutional performance of public entities.
Purposes of the Audit of Performance Information

The TCA fulfils its duty to conduct audit of performance information through assessing the quality of the performance information included in the relevant reports of public entities. Performance information is non-financial information related to State’s service delivery. In auditing performance information, the TCA has three principal purposes:

1. To ensure that public entities report their performance information in their accountability reports as required by the Law No. 5018 in order to foster accountability and transparency in the public financial management.

2. To contribute to improving the usefulness and quality of reported information.

3. To provide assurance to the TGNA and the public that public entities use robust data systems to monitor and report on the progress achieved against their performance objectives and indicators.

For further information, please contact: int.relations@sayistay.gov.tr

Criteria for the Audit of Performance Information

<table>
<thead>
<tr>
<th>Audit objective</th>
<th>Audit criteria</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure compliance with reporting requirements</td>
<td>Existence</td>
<td>Preparation of the relevant documents by the auditee according to legal arrangements</td>
</tr>
<tr>
<td></td>
<td>Timeliness</td>
<td>Reporting of the performance information within the statutory period</td>
</tr>
<tr>
<td></td>
<td>Presentation</td>
<td>Reporting of performance information in line with the regulatory guidelines</td>
</tr>
<tr>
<td>Quality of the Content of Performance Information</td>
<td>Measurability</td>
<td>Measurability of objectives in the performance plans by means of indicators</td>
</tr>
<tr>
<td></td>
<td>Relevance</td>
<td>Existence of a logical link between the objectives and the indicators</td>
</tr>
<tr>
<td></td>
<td>Well-defined</td>
<td>A clear and unambiguous definition of indicators</td>
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<tr>
<td></td>
<td>Consistency</td>
<td>The consistent use of the objectives (including indicators and objectives) in the auditee’s planning and reporting documents</td>
</tr>
<tr>
<td></td>
<td>Verifiability</td>
<td>Traceability of the reported performance information back to its source</td>
</tr>
<tr>
<td></td>
<td>Cogency</td>
<td>The extent to which any deviations between planned and reported performance is being addressed by the auditee and whether the reasons explaining the deviation are convincing and persuasive</td>
</tr>
<tr>
<td>Data reliability</td>
<td>Accuracy</td>
<td>The extent to which the reported results provide a true view of the achievements and does not include any facts that are not part of the achievements based on the definition of the indicator</td>
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<td>Completeness</td>
<td>The extent to which the reported results provide a complete view of the achievement and does not leave out any facts that should have been included based on the definition of the indicator</td>
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United Kingdom: National Audit Office

Client Insight – how the UK National Audit Office brings together and uses our collective knowledge of auditees

The UK National Audit Office (NAO) scrutinises public spending on behalf of Parliament, ensuring it holds government departments to account and helping public service managers improve performance and service delivery. We do this in two main ways: by auditing the financial statements of all 17 government departments and a wide range of other public bodies, and producing a wide range of assurance outputs including value-for-money reports and investigations. We also produce a range of other evaluations and guidance on issues of public service management and performance improvement.

In recent years we have recognised the need to do more to draw together the big picture on each of the main government departments, based on all the work we do across our audits. We also wanted to improve our ability to compare performance and identify themes which recur in different parts of government.

‘Client Insight’ is the term we now use for our approach to building this big picture. Beginning in 2009, we have gradually developed the way we do this. We started with a fairly structured requirement for each of the 17 main audit teams to produce a standard assessment of their department, based on a number of themes. The approach has gradually developed as teams become more experienced with this approach and in 2013 teams were allowed to set their own priorities, with relatively little oversight from the centre of the NAO. Audit teams now produce a plan for their respective areas to demonstrate how they will develop client insight related to their departments. This insight is brought together in an ‘operational assessment’ to give them a snapshot of a client’s performance against high level objectives.

The benefits of Client Insight are significant for our audit teams, particularly as this approach to improved knowledge management becomes business as usual. The approach allows teams to:

- develop additional insight and expertise on their client beyond their core audit work;
- understand the challenges and risks faced by their clients which is essential background for determining what our work programme includes and the audit approaches undertaken; and
- engage with departments at a strategic level to provide insights into their business and add value from what we observe across government.

There is a small central Client Insight team which supports audit teams in doing this work, runs training events, produces written guidance and coordinates knowledge-sharing networks.

Looking forward, we expect all our staff at all levels and across disciplines to be involved in Client Insight work as it relates to everything the NAO does. It will support and enrich all our work and help make sure we contribute to improving public services in the UK.

For further information on how the NAO is bringing together its knowledge of auditees, please contact:

Louise Bladen, Director, Home Affairs and Client Insight on: louise.bladen@nao.gsi.gov.uk
Departmental overviews – the briefings on accounts for select committees

The work of the NAO informs the scrutiny of government by parliamentary select committees, particularly the Committee of Public Accounts, for whom we provide a wide range of reports, briefings and other analysis to support their hearings into the value for money of public spending. We also support other parliamentary select committees on issues where we have expertise relevant to their inquiries. This applies in particular to the Commons Select Committees that examine the spending, policies and administration of each government department.

The NAO’s role as the external auditors of all government departments, coupled with our access to departments, to undertake value-for-money and investigative work provide us with a unique perspective on departments’ performance and how they compare with each other. We draw on this knowledge, in preparing departmental overview reports that summarise our work on each major department, and share these with the relevant parliamentary select committees in advance of the annual reviews of government departments that they carry out.

Departmental overviews provide each select committee with a summary of their department’s activity and performance over the past year, based primarily on published sources, including the department’s own accounts and the work of the NAO. They include information on how the department is organised, where it spends its money, recent and planned changes to the department’s spending and any major changes or developments in policies and how they were delivered. They also set out major developments that the department has planned for the coming year, such as major structural changes, new policies that will come into force, legislation that is going through Parliament, and any large contracts that have to be renegotiated.

We also set out the main findings of our most recent financial audit of the department’s accounts that would be of interest to the committee. These include a clear statement about our overall opinion on the department’s account, details of any qualifications on subsidiary accounts, issues raised in governance statements, and details of any interesting provisions, losses or special payments included in the accounts. We also summarise the key findings of any value-for-money, performance improvement or investigative work we have carried out on the department over the last year and what the department has committed to do in response.

For further information on the NAO’s departmental overviews used to brief select committees on departments’ accounts, please contact:

Alex Kidner on: alex.kidner@nao.gsi.gov.uk
Understanding challenges in delivering projects

Governments routinely take on the management and delivery of enormous public projects – whether this be the building of a high-speed train line, the introduction of national IT system in the health sector or the procurement of modern fighter planes. However, our audit work has shown that many such projects fail because governments don’t understand how complex they are or how big an influence the external environment can have.

In our work, we have found that indicators of failure or success can often be identified at the start of a project. Organisations which really understood the challenges of their project were able to design their projects more effectively from the start.

To help NAO audit teams assess projects and ensure that major risks have been identified and strategies put in place to manage them, the NAO has developed a tool called the Delivery Environment Complexity Analytic (DECA).

The tool looks at 12 factors which influence the success or failure of the project. These include:

- **Strategic importance.** Is the project central to the delivery of the ministry or department’s strategy?
- **Stakeholders.** Are there influential people or organisations that have an interest in the project?
- **Stability.** Could the scope of the project change in the future?
- **Financial impact.** Is the value of the investment significant, i.e. does it constitute a large proportion of the budget of the ministry or department?

Audit teams using the tool decide whether the potential impact from each factor is high, medium or low. This builds an overall picture of the environment in which the project is being delivered, and how complex it is.

The completed ‘DECA’ tool provides teams with a good understanding of the challenges an organisation faces in delivering a project. It does this by looking at where the potential risks are, their likely consequences and potential opportunities. Teams can identify the factors which are most risky, and then focus their audit work on how the organisation is working to recognise and manage these risks.

The tool is best used as a group exercise, drawing on existing knowledge from within audit teams. Alternatively, it can be done as a joint exercise with a ministry or department.


For further information, please contact: Alison Hood on alison.hood@nao.gsi.gov.uk

Initiating successful projects

In our work, we see many examples of how government projects have not understood the risks, benefits and challenges of delivering projects. We found that two-thirds of public sector projects are completed late, over budget or do not deliver the outcomes expected. Some are cancelled before they are completed after spending considerable sums of money. Poorly performing projects reflect badly on government, attract high media interest and are poor value for money for the taxpayer. The track record of project delivery in the private sector is equally mixed.

Where public sector projects are delivered well the results are impressive. The progress of the London Olympics construction programme is a good example.³

One clear lesson we have learned is that the success of a project is highly dependent on how well it is set up. Our work shows that very few projects do enough work before a project goes ahead to really understanding what is needed, if it can be delivered and how much it will cost.

Because of this finding, the NAO is focusing studies on major government projects and programmes much earlier – focusing on the start and middle of projects, rather than evaluating them at the end. This way we can assess the quality of how they have been set up and are being managed. We can then follow this work with updates on results as the project rolls out.

A recent example is our study on the high speed rail network, High Speed 2: A review of early programme preparation.4

We have written a guide called Initiating Successful Projects which helps audit teams to assess project set-up. The guide highlights a few key elements which, in our experience, have affected project delivery. These are:

**Purpose** – being clear about the overall priorities of the project and its desired outcomes.

**Affordability** – understanding what it will cost to deliver and not being over-optimistic.

**Pre-commitment** – assessing whether there has been a proper assessment over whether the project is achievable.

**Project set-up** – the design of the project and contract management detailed specification, procurement, contract and incentive design.

**Delivery and variation management** – being able to flexibly manage the project going forward as unexpected events and risks occur.


For further information, please contact: Alison Hood on: alison.hood@nao.gsi.gov.uk

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Young EUROSAI

The first Young EUROSAI Congress

Young auditors identify challenges and opportunities for European Supreme Audit Institutions.

The ninth EUROSAI Congress will be held in June 2014 in The Netherlands. It will welcome all Heads of the European Supreme Audit Institutions (SAIs). Its theme will be innovation. The Netherlands Court of Audit wants the critical and innovative voices of the young generation to be heard at the EUROSAI Congress. That is why we organised the first Young EUROSAI Congress, in Rotterdam, in November 2013, on innovation. More than a hundred young auditors had the opportunity to build up an international network, share ideas and take part in workshops to discuss innovative best practices with their counterparts. Above all, we hosted a form of counterforce to protect the external interest – the social function of SAIs.

Challenges and potential solutions

The YES Congress first identified strategic and operational challenges facing SAIs. This was the easy part. The participants then had to think about solutions, what are the main challenges and opportunities?

More with less: Many audit institutions recognise the need to do more with ever-smaller resources. Citizens are becoming more critical and are demanding more from their governments. As one keynote speaker put it during the congress, “…your organisation has to have a clear mission. In a changing environment you need to be really loyal to your mission and not to the things you have always done in a way you have always done. You need to have a clear answer to the question. We are in the business of…” Do we have a clear answer to this question? And does it mean we have to do new things? Shall we audit the same issues but in a different way? And what activities can we stop doing?

Globalising society needs cooperation: Globalisation is making society undeniably more complex. Societal problems, such as crime and waste disposal, are increasingly international problems. If one country takes an effective stance, the problem often simply moves to another country. SAIs should do the same, i.e. work together and learn the lessons that their counterparts have learned in a given policy field.

Dealing with big data: It is estimated that 44 times more data will be produced in 2020 than in 2009. Governments can put the data they collect to good use. They can analyse the information to formulate policy that better meets society’s needs and expectations. But it is uncertain whether we, SAIs, will be able to audit the data effectively. Big data is not yet on the agenda at SAIs, but it is high time it was.

Tell the message better: To be effective, the message has to reach the target group. SAIs have traditionally submitted detailed reports to Parliament. In an age when more and more communication is in the form of one-liners or no more than 140 characters, the SAIs have to come up with a fitting response in case of tweets. For example, reports could contain more images. Findings could be summarised in a video or an interactive infographic. SAIs could also present their message earlier in the decision-making process, i.e. not after the harm has been done but before the decision is taken. More importantly, shouldn’t the SAI be far more effective if it demonstrably generates more added values from less taxpayers’ money?

Remain independent: SAIs must be independent and objective, if they are to be effective. The young auditors, however, thought SAIs were operating in an increasingly political environment. Some SAIs themselves thought undue pressure was being exerted on them to conceal or highlight certain findings and conclusions. SAIs must constantly seek a balance between retaining their independence and therefore authority on the one hand and generating social and political added value through innovation on the other.

5 www.csc.com/insights/flxwd/78931-big_data_universe_beginning_to_explode
The way ahead

The young generation at the YES Congress identified several important developments and opportunities. But we still have no ready-to-use solutions. Young EUROSAI has a strong message for the Heads of European SAI. The world is changing and it is affecting our work. We have to respond to social change. We have to innovate and do new things and old things should be done differently. Change is only just the beginning for the young generation of auditors. Change in bureaucratic institutions such as SAI is not a simple matter because innovation is like rowing against the tide, redefining familiar concepts and tearing down established frameworks. SAI work with a zero error culture but they will have to take risks and accept that an innovative idea can have unanticipated results. Both the process and the outcome are unknown. This is uncharted territory for organisations that are constantly seeking assurances and safeguards. Innovation needs guts, from both young auditors and their seniors. A young generation of auditors showed guts at the YES Congress and are working out the ideas at their own institutions. We hope the senior managers follow in our footsteps in June 2014: ‘Let’s create tomorrow’s innovation today!’

More information on Young EUROSAI can be found at www.eurosai2014.nl/YES-2013. You can find two video reports and a full report (in an innovative Mindmap) of the first Young EUROSAI Congress.

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