

E U R  S A I

EUROSAI INNOVATIONS | VOLUME IV

**Sharing good practices among
Supreme Audit Institutions**

**EUROSAI
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The publication *EUROSAI Innovations: Volume IV* has been produced by the EUROSAI Goal Team 1 on Capacity Building chaired by the President of the Hungarian State Audit Office Mr László Domokos.

This is the fourth volume; to access volumes I, II and III please use the link below:

<http://www.eurosai.org/en/strategic-plan/capacity-building/>

Foreword

Since 2013 the UK National Audit Office (NAO) has published a series of guides on Innovations with a primary goal of sharing modern day practices which can be adopted and implemented by other Supreme Audit Institutions (SAIs). This fourth volume includes a range of case studies and innovative practices from nine EUROSAI SAIs.

The timing of this publication comes just before the next INTOSAI Congress which will take place later this year and is based on a series of inputs and case studies from our EUROSAI peers. As such it is a perfect example of practicing what we preach with the INTOSAI motto *Mutual Experience Benefits All* – *Experientia mutua omnibus prodest*. One of the themes of the Congress will be on what our community can do to support the Sustainable Development Goals. Sharing information and ideas among different SAIs is one way we can all try to make sure that our organisations are exemplary organisations. We tell others how they can use their resources better so that public funds can be used as efficiently and effectively as possible to make sure that 'no-one is left behind'. We, as SAIs, need to make sure that we use the resources our citizens have given us as well as we can, and we learn and apply best practices from our peers.

Innovation was also the central theme of the IX EUROSAI Congress which was discussed at three levels: 'Innovation in auditing methods and techniques', 'Innovation in Supreme Audit Institutions' organisations', and 'Innovation in public services and government'. The examples and insights which are featured in this latest edition demonstrate how SAIs in EUROSAI are continuously progressing with new technological developments and advancements in their day to day work. Volume IV includes examples of methods which modernise the way in which SAIs carry out their day to day work and projects and processes which contribute to efficiencies.

To encourage peer to peer learning and to make use of the information and SAI contacts provided, we would like to emphasize the importance of disseminating the latest publication as widely as possible within your SAI and sharing the publication with subject specialists and departments at your SAI, who may be encouraged to implement practices and methods such as those featured in the series of guides.

I would like to thank all EUROSAI Member SAIs who have provided contributions to this guide, to Peter Danko for chairing the EUROSAI Goal Team 1 on Capacity Building, the NAO and David Goldsworthy for taking on the role to produce this series of guides and in particular Farah Hussain and Nathan Rhodes for their work on creating this publication.



Mr László Domokos, Chair, EUROSAI Goal 1
President, State Audit Office of Hungary

Austria: Rechnungshof

Outcome orientation

With the introduction of outcome-oriented budgeting and management in 2013, resulting in the provision of state-wide outcome indicators, the Austrian Court of Audit (ACA) was entrusted with two significant tasks:

- a) audits with regard to outcome orientation and
- b) the issuing of strategically relevant recommendations in the Federal Budget Estimate.

a The Federal Ministries and supreme bodies have to provide transparent information on the impact on citizens they want to attain with their budget and on the intended outcome of public services. This information, as well as the existing data based on multiannual developments, constitutes a good foundation for a targeted risk-oriented selection of audit topics. In the framework of its audits, the ACA then focuses on the quality of outcome information, the outcome-oriented management within the organisation and the corresponding data. In doing so, the ACA examines in particular whether the defined outcome objectives, the corresponding measures and the outcome indicators are relevant for measuring the attainment of goals; and whether they are consistent, comprehensible, traceable, comparable and verifiable. This and other relevant questions, which have to be clarified during the audit, are defined in a guideline for auditors of the ACA.

b Furthermore, the ACA has referred to its strategically relevant but not yet implemented recommendations in the Federal Budget Estimate at the global budget level (coherent administrative areas) since 2013. By again highlighting significant fields of action, the ACA enhances its impact.

Both of the tasks explained above enhance the contribution of the ACA to ensuring that public services are geared towards attaining the intended outcomes, thereby supporting an effective use of public funds and the financial sustainability of public services.

Guidelines on auditing internal control systems

In the past 15 years, the concept of internal control systems (ICS) – in connection with the detection of considerable and severe deficiencies – has gained ever greater significance in the audit of financial statements and banks. Consequently, the ACA developed an internal guideline on auditing ICS (performance audits) to support the audit teams in devising audits on this matter. This guideline contains mainly open questions and points related to the core issues of audits of ICS. Based on this, the ACA determined “internal control systems” as the priority audit theme of 2014. The goal of this priority theme was to examine the broad deployment of such systems, and their elements, at the level of administrative units and companies, with regard to expediency and effectiveness, and based on that, to:

- identify undesirable developments and weaknesses;
- strengthen the understanding of the need for a system of elaborated and regulated processes and interconnected control steps;
- provide support for the audited entities with regard to the professionalisation and optimisation of internal control; and to
- prepare generally valid recommendations.

In the framework of its priority theme, the ACA could further develop and refine its generally relevant findings on the optimal organisation of control and management instruments.

Guideline on auditing corruption prevention systems

The ACA is aware of its role in, and responsibility regarding, the fight against corruption and has always attached special importance to this issue. With its audits, the ACA provides a valuable contribution to creating the necessary transparency – one of the most effective instruments against corruption.

Consequently, the ACA prepared a *Guideline on Auditing Corruption Prevention Systems* in order to systematically integrate this matter into the auditing process. This guideline serves to support the audit teams in all phases of the auditing process. As a structured basis, it provides guidance for devising an audit concept that is geared towards the concrete audit and the auditees. In the preparation phase, the auditors can enhance their knowledge based on this guideline and obtain ideas on what kind of documents could be requested prior to the audit. During the on-site audit, the (mostly) open questions in the guideline are to support the auditors in their auditing activities.

For further information on the *Guideline on Auditing Corruption Prevention Systems*, internal control systems or on outcome orientation please contact:

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European Court of Auditors



EUROPEAN
COURT
OF AUDITORS

Why a reform of the European Court of Auditors?

The European Court of Auditors (ECA) reform project is a broad organisational and procedural change programme aimed at implementing the strategic priorities of the 2013–2017 ECA strategy in a coordinated and comprehensive manner. The change programme also responds to the results and recommendations of the 2013 peer review of the Supreme Audit Institutions of Germany, France and Sweden, the 2014 European Parliament report on the future of the ECA and the requirements of the new EU Financial Regulation.

Objectives of the reform

The objectives and main change actions are as follows:

- to be more agile in responding to a rapidly changing environment by transforming the ECA into a lean and fit task-based organisation which directs its resources swiftly and flexibly to the highest priority tasks;
- to ensure timely delivery of our products by streamlining our audit procedures; and
- to make sure that our products achieve maximum impact by professionalising our communications and stakeholder relations functions.

A flexible task-based organisation

The organisation of our staff became task based on 1 January 2016. Practically, it means that the previous units of 10 to 25 people no longer exist and staff resources are now managed in directorate pools of between 40 and 100 people. Heads of unit are replaced by principal managers, who share management tasks under the leadership of the director but are no longer the line managers.

Tasks are managed by heads of task, a new role introduced by the reform. Head of task is a role, not a permanent position, and is assigned to any staff member who leads a task. The head of task is responsible for delivering the task output (for example, a draft audit report) with the resources attributed to that task.

This management mode enables us to assign resources more flexibly to urgent and important tasks. It also gives staff the opportunity to get involved in a wider set of tasks and expand their experience and skills.

Streamlined audit procedures

Over the five past years we have made significant progress in the time taken to complete our selected audits (mainly performance audits published in the form of special reports). The recently revised EU Financial Regulation requires, among other things, that the ECA's special reports are adopted within an appropriate period of time, which shall in general not exceed 13 months. To reach this target, we have:

- streamlined our audit preparation, clearing, quality review and publication procedures;
- simplified task management: principal managers adjust their management role to the size or complexity of the task and the experience of the head of task; and
- leveraged the pools of our new task-based organisation to use the most suitable resources (expertise and languages) and enlarged audit teams when needed.

Enhanced communication and stakeholder relations

Since 2014, we have professionalised our communications and institutional relations activities by, among other things:

- designating a Member for Institutional Relations and appointing a Spokesperson;
- creating a dedicated team for communications and institutional relations;
- designing communication guidelines and a new ECA visual identity;
- creating a stakeholders database; and
- enhancing the electronic publishing of our reports and other publications.

For further information about the reform of the ECA, please contact: Olivier Prigent, on olivier.prigent@eca.europa.eu or Andreas Bolkart, on andreas.bolkart@eca.europa.eu

Targeting communications to key stakeholders

Following the ECA's communications and stakeholder relations strategy and as part of its recent reform, the Directorate of the Presidency recently developed a powerful Client Relations Management tool – Stakeholder Management System (SMS). Since July 2015 we have used this corporate communications tool to announce all our press communications, reports and other outputs to targeted external stakeholders with active hyperlinks. We have so far sent 25,000 emails to selected recipients in 23 languages. The response has been positive, creating new partnerships with stakeholders who had not previously followed our work closely. The number of consultations of the relevant documents on the ECA website has shown an increase, as has the number of articles written by the journalists whom we addressed.



At the beginning of 2016 the system contained extensive data on 1,050 organisations and 3,700 individuals, including all 751 MEPs, all the committees and secretariats of the European Parliament, the EU Commissioners and their cabinets, key Council contacts, the EU SAs and EU media. Among the next steps, contacts to national authorities and media will be collected by the ECA's private offices for gradually extending the communications to national and regional level, in their language. Other ECA services will compile data on academics and experts and our various auditees. Appropriate tools and procedures have been put in place to ensure a regular update of these key contacts.

Apart from the main language used and the country represented, the SMS database contains information related to the specific interests of the individuals, such as EU spending areas. Organisations are classified in terms of their responsibilities and potential interest in particular aspects of the ECA's output. These are key criteria when selecting the addressees of our output.

The project will be developed further in 2016 with Phase II involving additional developments and enhanced features, including intelligence collection, dynamic forward-planning of reports to be presented to the EU institutions, the press and other relevant events, and coordination and monitoring of communications activities.

The SMS is a strong element of our paperless communications approach, following the example of the e-meeting policy of the European Parliament and the Council.

For further information on the Stakeholder Management System, please contact Helena Piron Mäki-Korvela, on helena.piron@eca.europa.eu

ECA 2040 – imagining our future

In the framework of the ECA reform project, staff were asked to imagine what the ECA might be doing and could be like in 2040. The objective of the survey was to stimulate reflection on future trends and how they might affect our institution.

The survey was structured around 12 scenarios allowing the respondents to say how likely they thought the scenario was to happen and whether they would desire it to happen. More than 300 people from all hierarchical levels and age groups provided their views on our future. Interestingly, the allocation and age of the respondents did not make a major difference in how they responded to the scenarios.

The 12 scenarios in the survey were divided into four subgroups:

Focus of audit work

Half of the respondents think that the scope of our work will change in the future to include radically less financial and compliance work and an increased focus on performance and performance measurement systems. A clear majority would welcome these changes.

Three-quarters of the respondents would like the ECA to become an institution which actively contributes to EU policy development.

Technological impulse

A majority of people expect artificial intelligence and algorithms to be used in document and data analysis in the future. They would also like to see these developments take place.

Even if people's readiness and desire to use technology is high, it does not encompass all areas of our work. The majority of respondents would not like audit visits to be replaced by telepresence or drone technology in the future, even if they think this is likely to happen.

People and governance

A majority of respondents would welcome a more interactive ECA towards EU citizens. They also expect changes in the governance arrangements in order to improve the efficiency of decision-making.

External challenges

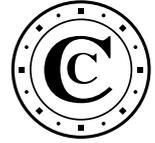
More than 60% of the respondents think that in 2040 the ECA will have been split into two: an auditor of a European Federation and a body with much more limited powers to audit common market countries.

The survey allowed staff to go beyond current constraints and explore the future freely, which in turn provided management with useful and thought-provoking information on their expectations, desires and fears.

For more information, please contact Helka Nykaenen, on helka.nykaenen@eca.europa.eu

France: Cour des Comptes

Cour des comptes
FRANCE



Argos

Argos, the new information system for programming, management and audit steering of the Court of Accounts is now used in all the Chambers. For the second consecutive year, the Court programme was carried out with Argos.

Argos is an information system shared between different stakeholders, for example, Chamber presidents, registry clerks, control teams, public prosecutors and the General Secretariat. It allows the programming of the Court of Accounts audit, the management of acts amended during the year and the tracking of the implementation of the programme. The control teams and the public prosecutors use Argos as it includes every document relating to a proceeding and the steps of its progress. This includes: the control plan, the notification letter, the instruction report, the findings of the prosecutor, draft reports, responses from the auditee and final comments. Furthermore, Argos is a tool for the registry clerks, mainly for the scheduling of review sessions, management of agendas and participants, drafting of the Chamber's documents, tracking the audit process conclusions and the tracking of the proceeding and its quality.

This decentralised sharing of information through a common information system is an innovation that ensures coherence and traceability of information and is part of the decentralisation policy committed to by the financial jurisdictions.

Towards the end of 2014, the Court of Accounts' work programme was established. During 2015, task management features were extended to the registry clerks of the seven Chambers and to the public prosecutor. Between February and September, the control teams of the Chambers started to use Argos. The extension of the publications management feature is the only remaining feature to be deployed, scheduled in the first quarter of 2016. Finally, an Info Centre will be built in 2016 for the production of the steering dashboard.

For more information regarding the information system Argos, please contact:

Patricia Amarger via pamarger@ccomptes.fr

Open Data

The financial jurisdictions at the centre of the Open Data effort.

On several occasions the French Prime Minister has reaffirmed the principle according to which data produced by the public service, when it is neither personal nor subject to national confidentiality laws, must be made available to the greatest number of people, free of charge, and in a reusable format. It is an ambition that serves democratic transparency, modernisation of public action, economic and social innovation. It is based on free access principles supported by recent developments in French legislation.

Fully committed to the sharing of public information, the financial jurisdictions are taking part in the French effort of open government by releasing data related to their activities and reports. This effort is consistent with Articles 14 and 15 of the Declaration of the Rights of Man and of the Citizen, which are the basis of the missions of the Court of Accounts: in a democracy, the citizen has a right to ascertain, on his or her own or through his or her representatives, the necessity of public contribution, to freely consent to it, to follow its usage, to identify its share, its base, its recovery and its length. He or she has the right to hold any public servant accountable for his administration.

In line with the approach adopted at the Paris Conference on Open Data and Open Government on April 2014, in July 2015 the Court of Accounts joined the action plan of the French government for the Open Government Partnership. The Court of Accounts committed to continuing and furthering the effort of open public data already launched within its chambers and its services.

In their attempt to make public data available on the open platform of French public data: (www.data.gouv.fr) and on their own website, the financial jurisdictions are at this stage focusing on the data falling within the jurisdiction of their activities and the data already published in their reports, subject to the inherent precaution of an independent jurisdiction, particularly, the secrets protected by law.

Comprising of information created or received by the financial jurisdictions as a part of their missions of public service, the online data mainly concern:

- the general Central Government's account;
- the State's budget: the consumption and provision of appropriation; and
- the budget of the local government (Regions or towns of more than 100 000 inhabitants)

The Court of Accounts is also regularly updating the list of its publications from 2011 and information regarding its workforce.

Since the summer of 2015, the Court of Accounts has made the data on all published reports, including the data used for its public annual report of 2016, available online.

Public data encountered on the website belongs to financial jurisdictions and affiliated organisations:

- the Court of Accounts (Cour des comptes);
- Regional and Territorial Chambers of Accounts;
- the Budgetary and Financial Discipline Court (Cour de discipline budgétaire et financière);
- the Council of Mandatory Contributions (Conseil des Prélèvements obligatoires); and
- the High Council of public finances.

This ongoing effort, as part of transparency in the functioning of the State, demonstrates the constant innovation of the French governance system. In order to systematise a data management strategy and the move towards open public information, the French Court of Accounts works closely with the office of the Prime Minister in order to create a data portal 'data.ccomptes.fr', indexed on the Government portal (www.data.gouv.fr).

For more information regarding the Court of Accounts' Open Data initiative, please contact Patricia Amarger via pamarger@ccomptes.fr



Corte dei Conti

Italy: Corte dei Conti

The business intelligence system

The Italian Court of Audit has recently implemented a Business Intelligence System in order to better support institutional activity by starting many IT projects, mainly concerning the controlling and reporting activities on ministries and other public bodies as well as on local authorities.

Business Intelligence is a set of methodologies, processes, architectures and technologies that transform raw data into meaningful and useful information. This is to enable more effective strategic and operational insights necessary for the Court of Audit to support decision-making and public finance assessment and control.

The Business Intelligence System of the Court of Audit consists of one Enterprise Data Warehouse (EDW) and several thematic 'data marts'. Data stored in various management systems of the Court of Audit are checked, validated and collected in the data warehouse and are made available to business users through data marts.

Currently, the main data marts are the Central Government Finance Data Mart, which allows reports to be created on ministries and other public bodies' activities, and the Local Government Finance Data Mart, in regards to the activities on local authorities.

In particular, for the Central Government Finance Data Mart, the source system is the Court of Audit information system. This is integrated with the State General Accounting Department's information system (SIRGS) of the Ministry of Economy and Finance and with the information system of the Bank of Italy.

This 'mart' supports the Court of Audit in the following activities:

- analysis of economic management of the State central administrations during the financial year;
- economic and financial auditing of the State general account;
- analysis and evaluation of the final accounts of the central administrations of the State; and
- monitoring of single budget items, expenditure and revenue, and payment orders where the maximum level of detail is the basic unit of revenue and expenditure.

The Local Government Finance Data Mart is the mart that collects the accounting data of municipalities, provinces and mountain communities, whereas the demographic and topographic data is acquired from ISTAT (Italian Statistic Institute).

This mart supports the Court of Audit in the following activities:

- budgets analysis on local authorities;
- companies (owned by local authorities) controls;
- monitoring in respect of the Stability Pact in compliance with the Maastricht Treaty parameters; and
- reports to Parliament and to regional councils.

Dashboards are also available to analyse the trends of the main economic variables by means of financial indicators relating to revenues and expenditures and to analyse the economic and financial management of central and local authorities.

The public accounts are now monitored using the information arising from the Business Intelligent System that enables the delivery of detailed reports to Parliament, improvement in the efficiency and effectiveness of control of public expenditure, greater timeliness in producing specific reports concerning topics of increasing importance for public accounts and improved cooperation with Parliament in order to take the most appropriate macro-economic decisions.

For more information on this matter please contact Dr. Antonella Serini on antonella.serini@corteconti.it

The XBRL protocol: The heart of the harmonization project

In 2009 Italy launched an ambitious and vast reform process of the public sector accounting and financial statements.

The reform involves more than 11,000 institutions, with many different legal forms with an array of diversified legislative framework, including different accounting rules and financial statements. This is with the aim of improving harmonisation, transparency and accountability in budgeting, and accounting and financial reporting in the Italian public sector at all levels.

The Italian Court of Audit and the Italian Ministry of Economy and Finance, following a specific Ministerial Decree, that has as its goal the implementation of a unique public database including all the harmonized budgets of public bodies, have recently started an ambitious project of collaboration. The aim of this project is to implement a brand new information system to collect in electronic form, using the standard protocol XBRL (extensible business reporting language), all data related to the financial statements and underlying detailed accounting data, codified according to the new mandatory standard codes transmitted by the local Government entities (regions, provinces, municipalities).

Each local government entity will report data by accessing the system portal via the internet and uploading XBRL instance files. The http protocol will be used for the transmission.

XBRL is a standard language used for the electronic exchange of economic and financial information. It is the financial and operational business-reporting offshoot of extensible markup language (XML), the open technology standard used to electronically exchange business information. XML is a universally preferred data description language used to describe the storage, manipulation and exchange of data via the internet.

The idea behind XBRL is simple. Instead of treating financial information as a static text – as in a standard internet page or a printed document, XBRL provides an identifying tag for each individual item of data, whether numeric or textual. This tag is computer readable and allows the information to be used interactively. Why XBRL? Previously static text-based information can now be dynamically searched and analyzed, facilitating the comparison of financial and business performance across companies, reporting periods and industries.

An XBRL is a file in which the data is labelled with a code that defines the type of item, including those in the taxonomy, the size of the data, or the period, the company and the reporting currency. Whoever receives such a file can automatically analyse, validate, process, edit or archive it.

In contrast, a budget document in an electronic format which cannot be processed contains a single block of textual, numeric and graphic information that can only be displayed, printed, or edited manually.

At the end of 2015, the Court of Audit approved, the taxonomies and published them on its website. The taxonomy defines the set of elements and their relationships in a standard accounting format.

For each of the two groups of data, an XBRL taxonomy has been implemented:

- **Financial statements:** The first taxonomy represents the set of financial statements that each local government institution has to prepare and approve. According to the new harmonised rules, a complex set of 27 statements has to be delivered. The XBRL (vers. 2.1) taxonomy expresses all the possible rows-columns combinations of the financial statements. All the 'concepts' present in more than one financial statement have been analysed and identified, to allow the local government institutions providing XBRL data to deliver these values once and to avoid data redundancy.
- **Accounting analytical data:** The second taxonomy contains all the transactions underlying the information included in the financial statements (revenues, costs, disbursements, receipts, liabilities, fixed assets), grouped and codified according to the standard codes required by the new harmonised accounting rules. The instance contains as many occurrences as the combinations of the mandatory codified information actually used for the accounting entries.

Basically, XBRL defines taxonomies of the accounting items and structures reports in which these are represented.

With the use of XBRL in the business sector, syntactic and semantic barriers are breaking down between those who produce financial information (business) and those who for various reasons consume it (the parent company, auditors, investors, banks, media, public authorities, rating agencies).

There are several advantages for the business world: first, by adapting to a standard, the company raises the level of accuracy and detail of its accounting reports, which meet shared formats that lend themselves to be more easily processed. An XBRL budget, read from a spreadsheet, easily feeds into financial analysis models.

The potential benefits of the use of XBRL in Italy in the public sector are:

- to help the process of domestic, public and international accounting harmonization;
- to increase transparency, comparability, accountability, and the ability to process consolidated public spending at varying interest levels (local, regional, national, EU, International);
- to simplify the numerous 'tasks' of public administration reporting (economic-financial reporting and other);
- to ensure timeliness and accuracy in the exchange of data;
- to ensure greater saving;
- the containment of data redundancy;
- reduced time/costs related to the adjustment to regulatory changes;
- a reduced reporting burden;
- the reduction of costs/room for error in the submission process of sending, collecting and aggregating data (automation); and
- to improve flexibility.

Furthermore, it can help simplify and render more efficient the internal controls and internal administrative reporting to public administration entities, as well as provide the prerequisite technological information for the purposes of the control tasks of the Court of Audit. In addition, it will assist in building a powerful, scalable and conveniently modular information analysis tool, capable of automatically extracting significant quantities of information directly from accounting documents.

Data center integration

The reliability of an enterprise data centre servicing either external or internal clients is central to service quality. Data centre integration is an increasingly popular approach to achieving a higher service quality and at the same time saving costs. The Court of Audit has started a challenging project of data centre integration and consolidation, moving from a traditional ICT infrastructure to a real hybrid Cloud ecosystem.

The actual process of shutting down and relocating numerous hardware and software components can create complex challenges across multiple dimensions. Many consolidation projects have suffered cost overruns, delays and disappointing results, which are driven by hidden interdependencies, unforeseen requirements, and a failure to effectively coordinate activities with stakeholders. Because data centre consolidation is a once-in-a-career event for most IT professionals, organisations often lack the internal expertise to anticipate and manage the hundreds of issues that might arise.

That is why the Court of Audit has developed a comprehensive strategy, consisting of five elements, addressing all aspects of data centre consolidation:

- i** Business planning: Establish the objectives and planned end-state.
- ii** Discovery mapping: Identify the numerous technologies, organisations, services, people and processes that will be impacted by the project.
- iii** Dependency mapping: Chart the interdependencies and rippling impacts among these many elements.
- iv** Execution planning: Acquire the different IT skills, hardware and other resources necessary to address the issues and requirements identified in the mapping phase.
- v** Execution: Migrate servers and applications to the new data centres.

During the last year, according with the national programme of digital innovations, the Court of Audit achieved some relevant agreements with the State Advocate and with the National Council for the Economy & Work, realising important consolidation projects increasing productivity through collaborative working methods and, improving end-to-end IT service quality and reducing costs.

Critical to the success of this strategy is an organisational change-management approach that helps guide consolidation activities through every phase to ensure clear communication and stakeholder commitment. This comprehensive approach enables the Court of Audit to mitigate risk and limit any uncertainties. Upon consolidation, it also gains the benefits of reduced costs and energy consumption, improved services and more efficient use of IT resources.

For more information please contact:
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Latvia: State Audit Office

Stepping outside audits – Effective approaches to raising impact



This is how Mr Tom Goodwin, a ‘Setter of Tomorrow’ and recognised marketing expert, explains his thinking and his vision, showing how surprises can be transformed into challenges.

Something extraordinary is happening around the globe. Uber, the world’s largest taxi company, owns no vehicles. The world’s most popular media owner – Facebook – creates no content. The most valuable retailer, Alibaba, has no inventory. Airbnb – the world’s largest accommodation provider – owns no real estate.¹ The most exciting governance faces ... let us stop right here and ask ourselves – **what are the challenges that public governance could face in the near future, if it follows worldwide innovation mainstreams, inspired by business?**

We should admit that there is no escape. Changes in behaviour, technology and media inspire new thinking and new ideas, and then inevitably bring them to life.

Supreme Audit Institutions (SAIs) are responsible for assessments of global development trends and supporting government innovations. This approach is driven by creative change in the context of growing economies. The SAI of the Republic of Latvia has reassessed the accumulated experience gained from performance audits carried out so far and, starting from the year 2016, will offer a number of discussion papers based on findings from the above performance audits while further conceptualising them.

We expect that this new communication format will facilitate and support the debate on better governance practices, as well as ensuring greater impact of ordinary performance audits on decision-makers and society, through the expansion of dialogue between the SAI, audited bodies and civil society organisations.

Our first discussion paper addresses the necessity to have a small and efficient public administration, which we consider to be ‘a must’ for small economies like that of the Republic of Latvia. The discussion paper is based on performance audits by the SAI on development and maintenance of public information systems, and their impact on the efficiency of the public and municipal administrations.

Conceptualising the findings from a number of performance audits, we have concluded that better designed and implemented information systems could significantly reduce the administrative burden on taxpayers. More intense automation and application of e-services could promote the Inclusive Society concept, and gain benefits from the ‘digital-by-default’ approach.

Our second discussion paper addresses the governance practices of state-owned enterprises (SOE) and their compliance with the OECD Corporate Governance Guidelines. The Eastern European countries face a situation in which a substantial share of public services is still being provided to citizens through administratively controlled procedures.

Although the public administration promotes the expansion of private businesses and tries to reduce the negative impact from state intervention in entrepreneurship, there is still a long way to go.

¹ <http://techcrunch.com/2015/03/03/in-the-age-of-disintermediation-the-battle-is-all-for-the-customer-interface/#.8fplkbs:0sCd> and www.twitter.com/tomfgoodwin/status/580427338543923201

The State Audit Office encourages development of private businesses while enhancing the return from use of public assets for the benefit of citizens. The State Audit Office expects that the discussion paper, aggregating and conceptualising the findings from a number of performance audits on SOEs will cause an active response from both the government and civil society organizations.

We believe that such discussion papers will function as a new and innovative communication channel to promote better and more efficient public administration.

Raising the impact of financial audits – Assessment of effectiveness of state budget programmes

During the last decade public sector auditors in Latvia have increasingly tended to adopt slightly differing philosophies and perception of the objectives of a financial audit. Not undermining the main goal of the audit – to give a reasonable assurance on the accuracy of the financial statements of a public body, the share of auditors' resources allocated to verification of compliance and effectiveness issues has considerably increases.

This is a logical development, being reflected in the updated ISSAIs and fully compliant with the expectations of users of financial audit reports. In contrast to private sector investors, using the reports for their investment and other decisions of an economic character, public sector users – tax-payers –are interested in compliant, effective and efficient use of their money by the authorities to whom they have delegated the task of managing public funds.

Therefore the State Audit Office of the Republic of Latvia (SAO), as from the year 2015, includes spending reviews of sampled state budget programmes in the scope of the annual financial audits. When performing spending reviews, the SAO assesses the compliance of budget programmes with the '3E' principle (economy, efficiency and effectiveness).

As a result, the SAO identified a number of existing ineffective 'instruments' or mechanisms failing to ensure achievement of the defined goals. The SAO also indicated potential savings in a number of budget programmes, amounting to hundreds of thousands of euros.

The SAO perceived the above initiative as leading by example and expected the public authorities responsible for budget planning and execution to follow the example, since such reviews should be an integral part of a budget planning process. If the responsible authorities do not perform the spending review exercise regularly or fail to perform the exercise properly, opportunities to finance additional new policy initiatives are limited, particularly in countries implementing fiscal discipline measures.

The SAO effectively communicated the above message to decision-makers, and the responsible authorities committed themselves to undertake a gradual and comprehensive spending review of all budget programmes, starting from the year 2016.

The SAO in turn will share the review approaches and experience, as well as monitor the process. The SAO, however, will also continue to perform risk-based sample spending reviews as a part of annual financial audits, to keep the motivation of public authorities high.

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Lithuania: National Audit Office of Lithuania

A step towards transparency of audit results and satisfaction of the stakeholders

Each audit carried out by the National Audit Office of Lithuania (NAOL) results in a report that describes situations of ineffectiveness and uneconomical circumstances. This is on top of its customary suggestions on how to improve the effectiveness of an audited entity. Audit recommendations are part of the audit report, which is always accessible on the NAOL website after the audit has been completed.

At this stage the progress of audit recommendations was frozen from an external point of view. It used to be a dead-end for someone who was interested in tracking the recommendations from the moment they were issued to the very end – their implementation. Recommendations were simply recorded in the NAOL internal database and the progress of their implementation was visible only internally in the NAOL.

The situation has changed today. External uncertainty about the status of recommendations has decreased dramatically. An internal information system used for the accumulation and storing of data on audit recommendations and the status of their implementation has now been equipped with a new tool, which enables anyone to check the status of the implementation of each recommendation. This can be done by simply visiting the NAOL website and clicking on the Monitoring Report link, on the implementation of recommendations of that particular audit.

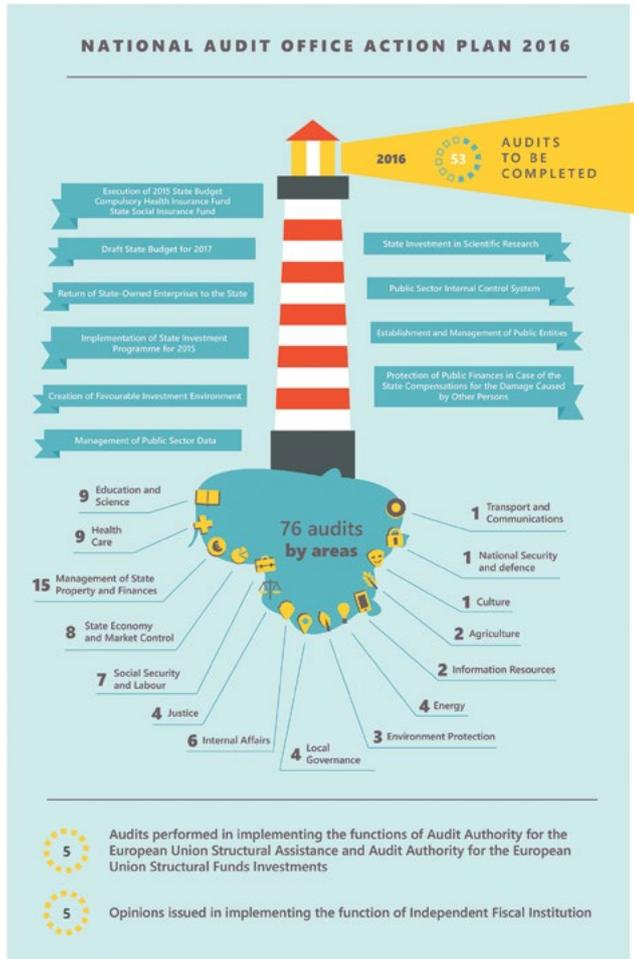
The online status of implementation changes immediately after the implementation data is updated in the database, so anyone who is interested can have an immediate, up-to-date picture of the implementation of any recommendation. The Monitoring Report reflects not only the confirmation of implementation of recommendations or a refusal to implement them; it also presents information about the steps the auditees have taken while implementing the recommendations.

Currently, all stakeholders – auditees, Parliament, citizens and anyone who may be concerned with audit results – are able to check out not only the output of audits – the recommendations themselves – but also their outcomes – the impact of these recommendations.

Introduction of the new tool for tracking audit recommendations is a small step in modernising the information system of the NAOL, but a giant leap in disclosing the benefits of public audit and moving public awareness about it to a new level.

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Improved mechanism for the audit programme compilation



In 2016, the NAOL introduced an improved audit programme compilation mechanism, which is based on a new methodology for audit risk assessment and selection. The Annual Audit Programme 2016 includes 57 audits of various public sectors and 19 opinions prescribed by the law on the NAOL. The new audit programme signifies a change in the strategy for conducting audits. Priority will be given to the analysis and addressing of systemic issues that relate to management and asset disposal, which are significant for state governance, thus improving the activities of all institutions.

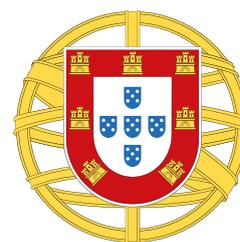
Under the new approach, the NAOL will no longer analyse the opinions on the accounting, management and disposal of assets of ministries and other public institutions; instead, it will issue audit reports by activity areas, for example the return of state-owned enterprises to the State, establishment and management of public entities, State investment in scientific research, and so forth.

While some of the audits will be performed as required by legal acts regulating the activity of the NAOL, the rest have been planned and selected on the basis of risk (problem) assessment in the public sector according to eight criteria, key to which is the relationship with strategic documents, such as Europe 2020, Lithuania 2030, government priorities and Lithuania’s international obligations. Other criteria are: indicators, funds, assets, external proposals, relevance, problem/risk management and professional judgement. The aim of the risk-based selection is to identify the most risky public sector areas, evaluate the potential added value of the audit and its potential impact.

The main risks in areas of public sector governance and the most relevant risks at the national level have been identified in the NAOL’s Annual Audit Programme for 2016. The programme pays particular attention to horizontal systemic topics: budgeting, promotion of innovations, management of state investments, governance of state-owned enterprises, efficiency of internal controls in the country, and establishment and management of public bodies.

The new audit programme compilation mechanism is shown in the NAOL’s main planning document for 2016, which consists of the Public Audit Programme, audits performed in carrying out the function of the Audit Authority for EU structural assistance and operational programmes for EU structural funds investments, and opinions in implementing the function of Independent Fiscal Institution.

For further information on the mechanism for the Audit Programme compilation, please contact Mindaugas Macijauskas on mindaugas.macijauskas@vkontrolė.lt



Portugal: Tribunal de Contas

How to demonstrate our value and benefits? A permanent challenge

Principle 7 of ISSAI 10², “– Mexico Declaration on SAI Independence, states

“(...) SAIs have their own internal follow-up system to ensure that the audited entities properly address their observations and recommendations”.

In addition, ISSAI 12 – The Value and Benefits of Supreme Audit Institutions: making a difference to the lives of citizens asks for SAIs to ascertain and demonstrate their accrued value and benefits.

The Tribunal de Contas’ Strategic Plan for 2014–2016 sets a goal to measure the impact of its activity. In order to achieve this, data and information on the Court’s control and on the follow-up of its recommendations was publicised in its annual activity report.³

The Tribunal de Contas, as a Court model, has three functions: a *priori* control, audit function and judgement of fiscal responsibilities.

Concerning the a priori control, significant impact information was already conveyed in the Court’s annual activity report. These included: (i) deterrence of illegal/irregular public expenditure and/or (ii) reduction of public expenditure, either through cancellation of contracts or by decreasing contract values.

As for measuring the impact of our audits (concomitant and a *posteriori*), we defined five main impact categories arising from the execution of our recommendations by their addressees:

- 1 Legislation and other legal acts published.
- 2 Public amounts effectively recovered, collected and/or saved.
- 3 Safeguarding of compliance with law and regulations.
- 4 Quality improvements of public services’ delivery.
- 5 Improvements on public finance management, transparency and accountability.

These five categories can still be combined into two main groups: **quantitative** impacts (comprising only the second category) and **qualitative** impacts (including the remaining four).

The first category ‘Legislation and other legal acts published’ deals with legislation and other legal acts published after and due to the Court’s intervention or action.

The second category ‘Public amounts effectively recovered, collected and/or saved’, of a **quantitative** nature (the sole one), deals with public amounts effectively recovered, collected and/or saved due to Court’s a *priori* control/ and or *audit function*.

The three remaining impact categories were derived from the above mentioned ISSAI 12.

² International Standards of Supreme Audit Institutions (ISSAI).

³ The English version of our 2014’s annual report may be consulted in the following link: http://tcontas.pt/en/reports/annual_report_2014.pdf

In doing this we were acknowledging that measures taken by the auditees to properly address the Court's observations and recommendations – the main source of impact production – could be very different and assume either a quantitative or a qualitative nature, or both.

Methodologically, we opted for associating only one category of impact to the recommendation that motivated the action (measures) subsequently taken by the auditees to properly address it. Furthermore, whenever an impact of a quantitative nature was contemporary to a qualitative one, only the quantitative impact was to be reported given its tangibility. If, instead, the concurrent impacts were both of a qualitative nature, priority was to be given to the category 'Legislation and other legal acts published', due to its inherent binding nature.

Henceforth, we can measure the final outcome of our activity less subjectively, as well as assessing its immediate output as a percentage of recommendations implemented.

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Spain: Tribunal de Cuentas

Going paperless

The Spanish Court of Audit (SCA) in recent years has engaged in a process of modernising all its processes, something which has involved a high level of innovation. This is reflected in the development of various projects contributing to increased efficiency, with lower use of resources while maintaining a strict compliance with the applicable regulations. By using new electronic tools, the SCA is incorporating electronic processing in its management processes and in the exercise of its audit and jurisdictional powers.

The SCA has developed a tool on its website that supports the creation and management of electronic transactions for interacting with third parties outside the Court. Such electronic transactions have been implemented for the submission of information and documentation related to audit procedures, the exercise of the legal right of citizens to access public information, the management of employment applications and the request for certificates.

The setting up of this project required the identification and re-design of the services and procedures that are able to be provided electronically. An example of this is the development of a tool for customising electronic forms in order to simplify their creation and to facilitate overall management of electronic transactions.

This tool enables the creation of electronic forms through which the external users, through a simple and guided navigation, can provide relevant information and attach electronic documents, thus submitting documentation in a swift, easy and safe way.

This new electronic data collection system guarantees the security of information, since an electronic certificate is required for the submission of documentation and all entries are automatically registered in the Electronic Registry of the SCA. The homogeneous processing of information is also ensured, since it is provided in a structured form, facilitating its analysis and subsequent use.

In this regard, we can highlight the usefulness of this instrument for receiving structured and easily exploitable information from diverse entities and as the most suitable tool for the contradictory process with the auditees, since it offers the guarantee and security that this process requires. At the end of 2015, the SCA received more than 10,000 files related to more than 3,000 different administrative proceedings through this platform.

Integrated Electronic Management System

The SCA has also implemented the AL-SIGM Platform (*Administración Local – Sistema Integrado de Gestión Municipal*) developed and originally promoted by the Ministry of Industry, Energy and Tourism of Spain. Since the system was publicly made available for free, it does not involve any licence fees.

The AL-SIGM Platform fully satisfies the required functionalities, offering, among other things:

- guided processing of workflow management;
- management of users and their permissions;
- adaptation to the organisational structure of the Court;
- management of notifications and pending tasks;
- full traceability of tasks and actions;
- incorporation of an electronic signature; and
- connection with external telematics systems, including the Electronic Register and the official documents register of the SCA.

It also offers the possibility of connecting to the electronic archiving system that will be implemented in the institution in the future.

The platform modules are:

- Electronic Register;
- tool for setting up workflow processes;
- management of electronic records; and
- electronic archive.

The platform allows electronic case processing from the beginning to its end, irrespective of its nature. It enables the user to perform searches quickly and easily, as well as being able to export information stored therein for further processing.

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United Kingdom: National Audit Office



National Audit Office

Auditing government capability in managing and improving its business

The UK government spends around £600 billion each year on running its business operations. It is vital that government is capable in managing business operations to provide good services for citizens and value for money for taxpayers. UK government organisations have also invested significant money in approaches such as lean, six sigma, systems thinking or continuous improvement to improve how services are delivered. We are interested in whether the investment is improving government capability to manage and improve its business.

A proven approach to assessing government capability

The UK National Audit Office (NAO) has developed and been applying a systematic approach to auditing government capability in managing and improving business operations since 2010. During this period we have audited 32 government organisations, incorporating 86 operational processes.

Our approach focuses on understanding whether there is an effective management system in place to manage and improve the business. We assess organisations within five domains (strategy, information, people, process and improvement) across the organisational (corporate centre) and operational (where services are delivered) layers of the business. Our assessments are based on visiting the workplace, focusing on how things are done rather than what is done.

Good operations and process management requires all parts of an organisation's management system to work together. Capability in one area is only fully effective if it informs and is used in other parts of the system (**Figure 1** overleaf). Our audit approach provides assurance on whether organisations have the required characteristics to manage and improve business as usual or to implement and sustain the business benefits of change programmes.

What we are learning

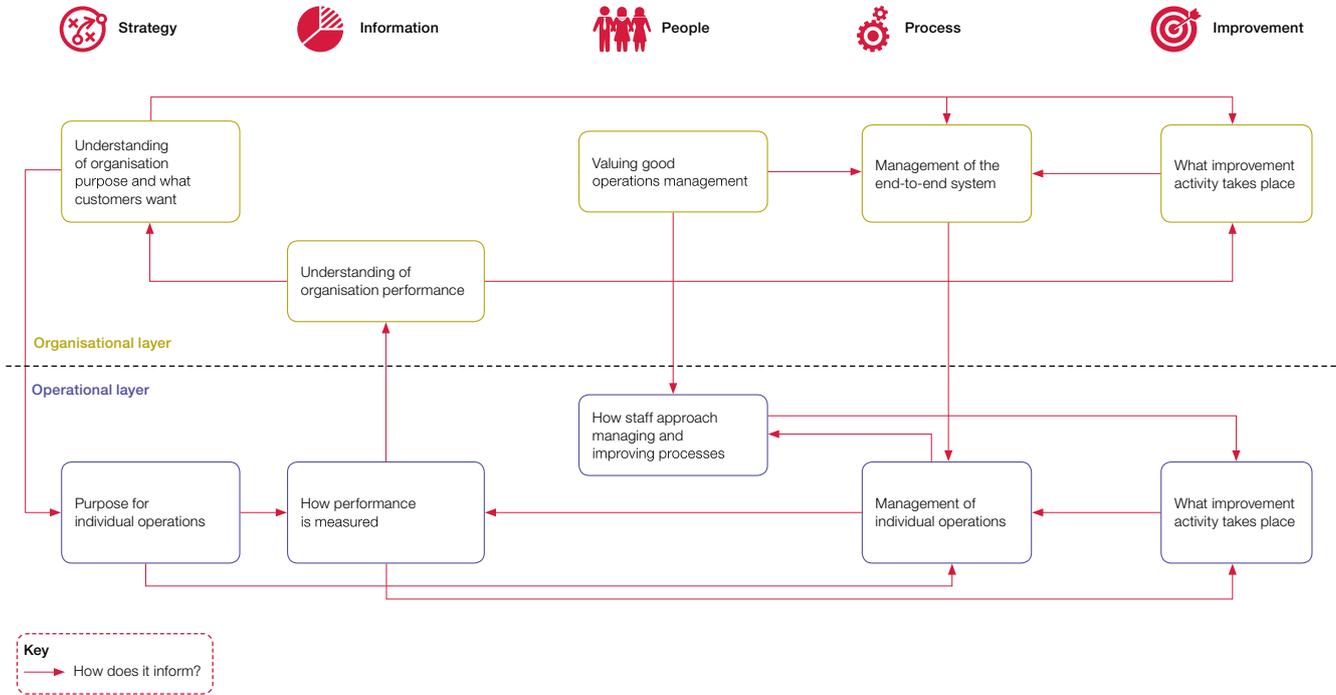
Our work is allowing us to understand repeated business problems and the characteristics that are most important for organisations to get right. We have generated substantial data from assessing government and our analysis has identified four areas to focus on. The four areas are critical for organisations to get right (in order to become better at managing and improving their business), and are also those areas with which many government organisations struggle.

They are:

- customer focus;
- understanding and managing the end-to-end system;
- using information to trigger change in your business; and
- creating an environment in which people can manage and lead in a way that allows them to achieve good operations management.

Figure 1:

Example relationships between parts of the integrated management system



Our work has also enabled us to draw conclusions on the impact of different approaches to change. We have identified problems with both top-down structural approaches to changing organisations and bottom-up, tactical project-by-project improvement initiatives. Neither approach is fully successful in improving the overall capability of organisations. Structural changes struggle to effectively change how operational work is done and tactical operational changes rarely sustain the initial improvements in performance. A holistic approach that considers both the organisational and operational layers of the management system is necessary.

More information on our findings can be found in our report *Managing business operations – what government needs to get right* (<http://www.nao.org.uk/report/managing-business-operations-what-government-needs-to-get-right/>)

Benefit for government

Our work is influencing changes in how UK government organisations manage and improve their business. We apply our approach as part of value-for-money audits (VfM) for Parliament and as part of insight work at the request of organisations. The organisations we work with value our objective view and the comparator insights we bring from our extensive evidence bases. They use our work to inform how they implement new operating models, to help them understand and address specific operational service problems and to create a target state for an effective management system.

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Business improvement programme (BIP)

What will BIP change?

The UK NAO's Business Improvement Programme (BIP) will better align three fundamental business services:

- 1 Project planning and resource management
- 2 People management
- 3 Financial management

BIP will modernise the way in which the NAO works. The main objective of BIP is to align the NAO's corporate services and the front-line of auditing on NAO clients' sites. BIP is expected to increase productivity by allowing us to find the right information when needed and easily keep corporate data up to date. It will also enable the NAO's corporate services to provide a better service to the NAO's audit teams.

What does this mean?

Central to the programme is a new piece of integrated software covering human resources, finance, payroll, project management, workforce planning and strategy planning. BIP will also play an important role in making administrative functions run more efficiently via its interconnecting features within the software. These include: resource allocation, timesheets, holiday and sick leave, running job status reports, general ledger entries, billing, booking training courses, recruitment, expenses and more. We are also reviewing our processes to make them simpler, automating where we can to empower people to make decisions.

The efficiencies will only occur through office-wide acceptance and efforts to understand the new methodologies of non-audit related functions. The extent of change will depend on people's roles. The design of BIP will improve the quality of information but most of the benefits will be delivered through employees changing behaviour and working in different ways. For example, all employees will need to keep their data up to date, working on the system and only booking the people they need.

Putting users first

The NAO's BIP team has consulted with users across audit teams and corporate services about what currently does or does not work. Ensuring all areas of the business are consulted throughout all stages of implementation will increase the likelihood of office-wide acceptance of the proposed changes.

The primary aim of BIP is to join up NAO systems so data is only entered once. Allowing more time to be spent on audit work, resulting in more productive audits throughout the year.

The BIP programme is led by a dedicated team of NAO employees who are representatives from the relevant NAO business areas (human resources, finance, and the Practice & Quality team). They are there to ensure that the solutions meet the needs of the NAO as a whole.

BIP will be adaptive to change as new functions can be added to it at any time via a comprehensive mapping tool, so all functions affected can simultaneously be updated and operate with the same data on a timely basis.

Preparatory work

The work underlying the business case has been extensive. It needed a thorough understanding of the:

- NAO's business needs (supported by feedback from a large number of users);
- possible types of solution; and
- the costs, benefits and risks associated with that solution.

The BIP team reviewed several different types of products and determined that a Cloud-based software service was the best solution to meet the NAO's needs.

The other major activity in this period has been process-mapping. We did not have these for many of our current processes, so it has been a significant exercise to map them and to think about how they could be simplified and improved. We then used the suppliers knowledge of best practice to challenge and develop how we will do things.

Roll out

We have selected a solution and supplier for the technology. They are working with us to refine our implementation plans and start building the final product.

The software that has been chosen is off-the-shelf, and we are configuring it for the NAO's core business. This essentially means choosing the settings: some around terminology, for example calling business units 'clusters', and some around functionality and workflow for example, who approves time off. We have developed detailed plans to support a phased roll out over a period of a year and we will offer learning and development tailored to an individual's role and learning preferences.

For further information on BIP, please contact:
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Susan Ronaldson on susan.ronaldson@nao.gsi.gov.uk

