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Professor Mario Monti at the European Court of Auditors

1 March 2017

By Mihails Kozlovs, ECA Member

Professor Mario Monti is the Chairman of the High Level Group on Own Resources. He has also been Finance Minister and Prime Minister from 2011 to 2013 in Italy. Professor Monti was invited to the ECA to present the Final report and recommendations of the High Level Group on Own Resources (HLGOR). He met the ECA President and Mihails Kozlovs, the reporting Member for the ECA's opinion on the revision of the Multiannual Financial Framework. He also participated in a working lunch with the ECA's Members.



Professor Mario Monti, Chairman of the High Level Group on Own Resources and Klaus-Heiner Lehne, ECA President



Mihails Kozlovs, ECA Member and Professor Mario Monti

The debate on the next financial framework of the EU has started

The HLGOR was established to examine how the revenue side of the EU budget can be made more simple, transparent, fair and democratically accountable. The HLGOR's report is one of many thought provoking contributions that come at a time when the EU is at the crossroads. The EU is still dealing with the legacy of financial crisis. The situation in the world is getting tenser, isolationism is growing, external threats are becoming internal. Maintaining Europe's economic power and values on the world's stage is becoming more and more challenging. Existential questions about EU's future and strategic directions are being asked.

The EU budget, although relatively small, is often at the centre of the debate when a need arises to deal with a crisis situation or to finance (yet another) new priority. So is also the notion of net balances, which is a permanent feature in the discussions on the EU's multiannual budget. According to Professor Monti and his colleagues, and I totally subscribe to this, net balance calculations do not reflect the real distribution of costs and benefits of the EU budget, but tend to ignore its economic,

social, political and cross-border impacts, including security. One of the examples is financial instruments, the share of which in EU expenditure is steadily growing. Without geographical pre-allocation as a condition (that I do not necessarily support *per se*), the funding logically flows to places where investments are more viable and economic environment is more reassuring for investors, and for the moment these places tend to be in wealthier EU countries (as is the case with the EFSI). This is not being reflected in the net balance calculations and shows us that this notion of net balances is outdated and is not conducive to a full appreciation of all the actions taken at the EU level.

The HLGOR report illustrates this problem very well and rightly calls for a new understanding of “collective benefits of EU policies, economic synergies, cross-border effects and positive external outcomes”. I fully share this view.

Although the main gist of the HLGOR report is to put forward for the discussion the new types of EU’s own resources, it also rightly underlines the need for comprehensive reforms on the EU budget’s expenditure side.

This proposal resonates very well with the ECA’s suggestion in the context of the mid-term review of the EU’s Multiannual Financial Framework 2014 -2020. In our briefing paper we invited the decision makers to launch a reflection as soon as possible on the extent to which the different EU policies should be financed from EU budget, taking into account the possible developments in the policies and membership of the EU. We called for a budget that reflects the EU’s strategic priorities and opportunities to add value, a budget that is better shaped for new challenges and delivers results efficiently.

There are many now who call for changes in the way EU budget is managed. Circumstances and priorities change, membership in the EU is being questioned. To me that means the time is right to reform the EU budget and I would like to hope that the real debate on its future starts very soon.

In this context I can only welcome the White Paper on the future of Europe by the President of the European Commission published on 1 March this year. Both items are related and I hope the White Paper together with the HLGOR report will ignite this debate. I wish the decision makers to have the courage to make tough but needed decisions, some of which are long overdue.

Mario Monti said:

“The recommended reform of the EU budget will have also broader implications but accountability towards EU citizens is in fact a very important one. I am honoured and pleased to be today visiting the European Court of Auditors because in our report we have been closely following some longstanding recommendations of the ECA. This goes in the direction of making the EU even more accountable to citizens” (R.C.).

Standard-setting in INTOSAI – a brief explanation

By Neil Usher, principal adviser and the ECA PSC project team



Front row (LtR)

Karen Belteton Mohr, Member of FIPP, SAI Guatemala;
Shelmadene Petzer, Member of FIPP, SAI South Africa;
Ganga Kapavarapu, Chair FIPP, SAI India;
Danièle Lamarque, Member of the Court,
SAI European Union;
Lionel Vareille Member of FIPP, SAI France;
Josephine Mukomba, Member of FIPP, AFROSAI-E;

Rear row (LtR)

Neil Usher, Member of FIPP, SAI European Union;
Robert Cox, Member of FIPP, SAI New Zealand;
Einar Gørrissen Member of FIPP, INTOSAI
Development Initiative (IDI);
Stuart Barr, Member of FIPP, SAI Canada;
Kristoffer Blegvad, Member of FIPP, SAI Denmark;
Beryl Davis, Member of FIPP, SAI United States of America;
Novy Pelenkahu, Member of FIPP, SAI Indonesia

The internal workings of INTOSAI are, at first sight, quite complex. Here's a brief guide to its standard-setting activities.

INTOSAI's strategic plan groups its activities under three broad goals – professional standards, capacity building and knowledge sharing – and there is a committee for each of these areas that steers the activities. The chairs of these committees – the three “goal chairs” – also work closely together to assure progress on cross-cutting themes. There is also a fourth committee that deals with policy, finance and administration, but we'll leave that aside for now.

The ECA took on the role of vice-chair of the professional standards committee – the PSC – late last year, working closely with the SAI of Brazil that chairs the committee.

One of the three main functions of the PSC is to ensure that INTOSAI's professional standards and supporting guidance – its professional pronouncements - are relevant to the work of SAIs, of the highest quality and are the framework of choice for SAIs world-wide. The main tool for achieving this is “due process”¹, the set of procedures and controls designed to build quality and relevance into the standard-setting process. In the light of feedback from key external stakeholders – most notably, the World Bank, which relies heavily on reports of SAIs – due process has just been substantially revised. The PSC chair and vice-chair, with the help of the other goal chairs, have the task of implementing the changes.

¹ See http://psc-intosai.org/en_us/site-psc/psc/due-process/

As part of the revised due process, there is a new actor in the game. This is the Forum for INTOSAI Professional Pronouncements (FIPP²), INTOSAI's standard-setting board. FIPP has a chair and 15 members drawn from and supported by SAIs and other INTOSAI bodies but who act not as representatives of their SAIs but in the overall interest of the INTOSAI community. As well as monitoring individual standard-setting projects, FIPP also acts as the “single gateway” to the process by advising the PSC on the priority to give to each proposed standard-setting project. This brings us to the second main function of the PSC – it is responsible for the governance of FIPP. Meanwhile, the three goal chairs, acting collectively, are responsible for managing FIPP's membership.

As part of due process, the projects that FIPP gives priority to are rolled up together into the three-year INTOSAI strategic development plan (SDP³). As part of its due process responsibilities, the PSC approves this plan and ensures that it is implemented. For 2017 -2019, the SDP is focusing on rationalising and simplifying the present collection of INTOSAI pronouncements to arrive at the new INTOSAI Framework of Professional Pronouncements, the IFPP⁴.

The work of preparing draft pronouncements and getting comments on them from stakeholders (“exposure”) is done by INTOSAI's sub-committees and working groups, who each report to one of the three goal committees. The third main function of the PSC is thus to oversee the work of its four sub-committees – those responsible for financial audit and accounting (FAAS), for performance audit (PAS), for compliance audit (CAS) and for internal control (ICS). As well as being vice-chair of the PSC, the Court is also an active player in the work of FAAS, PAS and CAS.

For more information about FIPP, the IFPP, the SDP and much more, try the PSC website at <http://www.psc-intosai.org/>.

Finally, for a light-hearted historical perspective of all this, you might want to watch a video called “XXII INCOSAI - The journey so far” produced by the former chair of the PSC, the SAI of Denmark, and available at https://www.youtube.com/watch?v=ljuqFJKW_tE.

2 See http://psc-intosai.org/en_us/site-psc/psc/fipp/

3 See http://psc-intosai.org/en_us/site-psc/psc/strategic-development-plan/

4 See http://www.issai.org/en_us/site-issai/services/revised-framework/

The Forum for INTOSAI Professional Pronouncements

Interview with Ganga Kapavarapu, Chair FIPP, SAI India

By Rosmarie Carotti



Ganga Kapavarapu, Chair FIPP, SAI India

R. C.: What is new in the Forum for Professional Pronouncements compared to the Professional Standards Committee?

Ganga Kapavarapu: We have a board for the standards to be approved, it is the Professional Standards Committee of the INTOSAI. Its primary objective was to bring about professionalism in the standards and the way we conduct audit in the various SAIs. It is the strategic objective of the PSC to have standards in place but the standards are developed by the three co-chairs and the various sub-committees, task-forces and working groups under them. They follow a particular process of preparing a project report, preparing an initial draft, exposing it to the INTOSAI community and getting their input, then taking it to the INCOSAI finally for endorsement and approval.

R. C.: How long does such a process take?

Ganga Kapavarapu: It depends on the kind of standard and its complexity. Some standards take very long, some standards would probably happen from one INTOSAI Congress (INCOSAI) to the next. Normally, an INCOSAI is once in three years. In that timeframe the committees and the working groups work on these standards.

Every time a standard is set there is a maintenance schedule for it. Standards come up for a review and changes over a specified periodicity.

R. C.: So what's new with the Forum?

Ganga Kapavarapu: What happened was that there was no one single gateway for approval of all the standards. There was a little difference in the way the approval process was taking place in the sub-committees and working groups working under the three goalchairs and there were issues of overlap and duplication. So it was decided that there should be one single gateway. The INCOSAI made us a permanent body.

The Forum for INTOSAI Professional Pronouncements *continued*

R. C.: So you report directly to INCOSAI.

Ganga Kapavarapu: No, there is a governance structure over the FIPP because there is a PSC Steering Committee which consists of the PSC and other goal chairs and representatives.

We have one governance framework which defines how we interact with the three goal chairs and the PSC and how all the documents or the approvals will move through that to the governing board and to the Congress.

R. C.: That sounds terribly complicated while the aim of the FIPP is to simplify and reduce the number of ISSAIs.

Ganga Kapavarapu: There is simplification and reduction because we have reviewed all the existing standards and we help in the formulation of a new tool called the strategic development plan. The SDP is drawn up for three years.

R. C.: This plan is already made?

Ganga Kapavarapu: Yes. We have tried to identify standards which appeared to be duplicates or overlaps. They will be replaced by a single one. Some documents do not need to find a place in the framework, the IFPP. The numbers will therefore be reduced by the next Congress in 2019.

There were problems with many drafting conventions or the way the standards were aligned. ISSAI 100 was developed later and our task is to review every standard and align it with ISSAI 100. The quality of the ISSAIs will improve and their number will be reduced.

A number of earlier documents, the so-called INTOSAI GOVs, were not addressing the auditor or the auditor's institution but the governance set-up. Those documents will disappear and we only take the valuable content in them into the standards.

Earlier we had institutional level, auditor level and government level. Now we decided that the IFPP is meant for the auditing institutions and the auditors.

R. C.: The Forum was established in Abu Dhabi last year and this is your 4th meeting.

Ganga Kapavarapu: This is the Forum's 4th meeting after we became a permanent body. December 2015 we met for the first time. Then we met in South Africa and the third meeting was in India. The three goal chairs hosted the three meetings.

The first meeting was very important because we met the external standards setter. We met IFAC, the Institute of Internal Auditors, the World Bank and the United Nations. We got inputs from them as to what their expectations are and we learned how these external standard setters do their work. The first meeting was to understand what we can take from others.

R. C.: What do you expect from this meeting in Luxembourg?

Ganga Kapavarapu: The Forum has now a very important role in shaping the strategic development plan (SDP). All the chairs in the working groups gave us inputs and we prioritised them. Now we have an approved SDP which we have to implement in these three years.

The Forum for INTOSAI Professional Pronouncements *continued*

For that, while the sub-committees and working groups under the respective goal chairs will be working on it, they have to send it to us at the various stages so that we see that there is no duplication or overlap and that the quality is good. We look at the timeline so that the job will be completed by 2019. For that, in this meeting we will first run through the SDP and decide which areas to prioritise. Amongst us we are also going to nominate liaison officers, one of each of our group members.

Then, of course, there are many doubts in the working groups and sub-committees as to how to work. Is there a template, a format, are there guidelines? We are going to have a list of frequently asked questions; then we will come up with our own working procedures. We have already been working by e-mail and have drafted some procedures which hopefully will be discussed in this meeting.

Another document we want to produce is our communication policy for our internal stakeholders and the outside world.

R. C.: What do you mean by “outside world”?

Ganga Kapavarapu: It may be the World Bank, the UN, other standard setting bodies like the IASSB; they all are stakeholders. How do we interact with them? Where do we put all our content and data and information?

R. C.: How long is your mandate as chair of the Forum for INTOSAI Professional Pronouncements?

Ganga Kapavarapu: There is a policy document regarding the constitution of the Forum. There is a rotation policy by which one third of the Forum will change once in three years. There is also a provision for people who want to stay on for another term.

R. C.: To conclude, one personal question to you as deputy Comptroller and Auditor General of India. How many audit offices are there in India?

Ganga Kapavarapu: India is a big federal country, so we have the central government of the Union and governments in the 30 states. In each of those states we have offices and in many of these states three or more of them. They all report ultimately to the Comptroller and Auditor General. So we are about 40 000 just doing audit work alone.

R. C.: Your last message from the 4th Working Meeting of FIPP.

Ganga Kapavarapu: We plan to come out with working procedures and a communication policy; we will hopefully appoint liaison officers and introduce drafting conventions.

Performance audit on the Single European Sky: ECA audit team meets their counterparts in Washington to discuss differences and similarities in European and North-American Air Traffic Management

By Afonso Malheiro, auditor in Chamber II



(Meeting with the OIG, 7 February 2017 – Left to right: Mircea Radulescu, Frank Danielski, Arnett Sanders, Terry Letko, Aaron Malinoff, George Pufan, Patrick Weldon, Pietro Puricella, Afonso Malheiro, Nate Custer, Erki Must, James Ovelmen and Matt Hampton)

Did you ever board an aeroplane well in advance of the scheduled departure time, together with all your fellow passengers, everyone seated and waiting... only to hear the Captain announcing that *'Ladies and Gentlemen, sorry but we have to wait another 15 minutes before we can leave the gate and start the engines'*? Or did you ever feel, while on approach to your destination airport, that the aeroplane kept doing a lot of turns but did not really progress down to the runway? Read on...

Every day around up to 30 000 flights take off or land in Europe, some 10 million per year. Despite the vastness of the airspace above us, congestion exists in certain areas at certain times, particularly around major airports. The problem is that you cannot simply tell pilots to stop in the middle of the air, or queue the way drivers do every morning on the way to Luxembourg or Brussels. It doesn't work, technically or economically. Congestion, if not properly managed, causes additional costs, delays and seriously impacts on the safety of air travel. Often, it is preferable to keep your flight on the ground instead of burning fuel flying in circles over London. Nice photo opportunities but expensive ones.

Air Traffic Management (ATM) is the result of a quest for safety and efficiency in a context of growing traffic and limited space. Since 2004, through the "Single European Sky" initiative, the European Union has been dedicating considerable effort towards the improvement of ATM, be it in the form of regulatory measures (which before were mostly national) or in the form of substantial funding for research and implementation of modern technologies. Things like precise navigation, allowing planes to be packed closer together in a safe manner. Or collaborative decision making between airports, airlines and air traffic controllers, so that once a plane gets airborne out of Madrid, the ground handler in Helsinki is able to accurately predict the minute when that plane will arrive at the gate.

Performance audit on the Single European Sky: ECA audit team meets their counterparts in Washington to discuss differences and similarities in European and North-American Air Traffic Management *continued*

Now, 12 years and 1 billion EU funding euros later (with another 2 billion in the pipeline until 2020), the performance auditor is of course asking the fundamental question: is this investment paying off? Are we experiencing fewer delays, are flights more direct, has the cost of ATM become cheaper? We are working on these complex questions, stay tuned for some interesting answers soon.

Fortunately, we are not alone. Across the Atlantic, the United States have been facing very similar challenges: growing traffic, limited airspace, ageing systems and congestion. And like us in Europe, they also committed substantial amounts of money into a modernisation programme called "NextGen". The approximately 7 billion USD spent there (2004-2016) have also attracted the attention of American audit bodies: dozens of audits on this topic have been conducted either by the US Governmental Accounting Office (GAO) or the Office of the Inspector General of the Department of Transportation (OIG). In order to discuss their experiences, their audit approach and their main conclusions, the audit team, led by the reporting Member Mr Pufan, travelled to Washington in February and held several meetings with officials from the OIG and GAO, the Federal Aviation Administration (FAA) and representatives from ENO – a think tank dedicated to transportation. The visit proved extremely useful as it allowed us to explore not only the differences between the US and Europe (ATM in the US is provided by one single entity, the FAA, whilst in Europe we have almost 40 operators), but also important similarities (the enormous technical challenges in implementing modern technologies in such a safety critical activity as aviation, the large amounts of funding involved and the importance of ensuring and measuring value for money in this field). We also discussed a range of related topics, including how the FAA and the European Commission coordinate their efforts, how ATM performance can be measured and how does air traffic controller productivity compare between the two regions. Interestingly, the visit coincided with a period of "turbulence" for the FAA, which is facing calls for a change in its governance (towards corporatization, similarly to what has been done in Europe) as well as public criticism from the new US President as to the value for money of its NextGen programme.

All should soon feed into our upcoming report highlighting the challenges in arriving at a Single European Sky and what we hope will be some relevant recommendations on how to potentially overcome them.

The IMF Capacity Development

Presentation by Gerd Schwartz, deputy head of the IMF's Institute for Capacity Development

By Rosmarie Carotti



From left to right: Felix Fischer, Deputy Division Chief, Global Partnerships Division, ICD; Gerd Schwartz, Deputy Director of the IMF's Institute for Capacity Development (ICD); Zacharias Koliass, ECA director; Gunnar Magnusson, Senior TA Officer, Global Partnerships Division, ICD

Introduction

The IMF shares its expertise with member countries by providing capacity development (CD), which includes technical assistance and training in a wide range of areas such as central banking, monetary and exchange rate policy, tax policy and administration and official statistics.

The aim of capacity development is to help improve the design and implementation of IMF members' economic policies. Gerd Schwartz provided more specific insights and views on capacity development (CD) in cooperation and partnership with the European institutions. The idea for this presentation grew from the fact that the ECA encounters what the IMF does in CD because it audits some of the projects where the IMF cooperates with the European Commission. The European Commission is the second largest partner in terms of external CD funding. The ECA audits the Commission funds and the part of them which goes to the IMF.

Zacharias Koliass, ECA director responsible for Regulation of markets and competitive economy, introduced the speaker and moderated the discussion between the panel and the audience.

IMF CAPACITY DEVELOPMENT (CD) IS MOTIVATED BY THE CENTRAL OBJECTIVE OF THE IMF

As stated in the Articles of Agreement of the IMF:



The purpose of the Fund is to promote global monetary cooperation, secure financial stability, facilitate international trade, and promote high employment and sustainable economic growth



Stronger institutions are essential to macroeconomic stability, sustainable and inclusive growth, and shared prosperity

The mandate of the IMF and capacity development

The IMF has three mandates: surveillance, lending, and capacity development. Surveillance means that the IMF is tasked to give an annual view about the macro-economic performance and prospect for all 189 member countries. In terms of lending, the IMF gives its temporary support to countries in trouble. The third area of CD is maybe less known. There the IMF supports countries in building up economic institutions.

In terms of CD, the IMF works together with countries to design sound policies and effective administrations. There are five main areas of intervention: fiscal policy and management, monetary policy and financial systems, legislative frameworks, macro-economic and financial statistics, and macro-economic frameworks.

Roughly, one third of the IMF budget goes to capacity development. In total the IMF budget is around USD 1.2 billion a year. 60% of the CD's activity is financed by the IMF and 40% is funded by external partners. This is the part that is mostly of interest to the ECA.

When the IMF delivers CD services it is always driven by demand. Over 40 big partners support IMF CD, including private partners like the Gates Foundation.

PARTNERS WORK WITH THE IMF ON CD ACTIVITIES IN MANY WAYS

Regional anchors

Regional Technical Assistance and Training Centers (RTACs/RTCs)

10 RTACs

4 RTCs

1 Regional Technical Assistance Office;

5 Regional Training Programs

Thematic anchors

Funds for capacity development

5 funds covering key areas (fiscal, legal, statistical) plus:

2 funds shared with the WB covering financial/debt issues

2 Funds for Fragile States (South Sudan, Somalia)

Bilateral programs

Programs supported by individual partners

These programs represent about 50 percent of externally-financed IMF CD

A few years ago the IMF realized it had a disjointed result-based management system and acted upon that finding. Since 2015 there is a unified framework in place.

Opportunities partnerships can bring

Partnerships are opportunities for the IMF to give coordinated messages to countries. DEVCO in the European Commission is the largest provider of budget support operations and that is very important for a large number of countries. Seeing that the European Commission is interested in justifying its own budget support operations seems a natural complement to the IMF focus on strengthening the public financial management systems. Messages are more powerful when they are given in cooperation with partners.

It is sometimes a struggle for the IMF to be less insular and take advantage from partnerships but it is also sometimes a struggle for the IMF to get external partners to see the value of the IMF in supporting countries. The external investment plan, the Juncker plan for less developed countries, which will be unveiled in 2017, will create not only big projects risks but also strong macro-economic risks. How to make sure that the banking systems in place will be able to handle the funds that come from private investments? How to be sure that the public financial management systems that a country has will be able to manage the inflow through the budget without being subject to corruption?

There are very important complementarities which need to be exploited. Cooperation, in particular with the European Commission but also with the ECA, will become more and more important.

IMF – ECA COOPERATION

- Information sharing
 - Periodic exchange of views with ECA on **Fund programs in EU crisis countries** and on audit related issues from ECA;
 - Sharing of IMF **TA information** and analysis;
- Efficient use of EU funds
 - Cooperation related to financial audit of **PFTAC** in 2014 (Regional TA Center based in Fiji) and a performance audit for two EU supported projects in **Greece**;
- Sharing knowledge and experiences
 - New **staff exchange program** underway between ECA and IMF;
 - Sharing of **expert rosters**;

Japan's Board of Audit and Japanese policies

H.E. Shigeji Suzuki, Japan's Extraordinary and Plenipotentiary Ambassador to Luxembourg was received by ECA President Klaus-Heiner Lehne and ECA Secretary general, Eduardo Ruiz Garcia.

8 March 2017

By Rosmarie Carotti



H.E. Shigeji Suzuki and President Klaus-Heiner Lehne



Secretary general, Eduardo Ruiz Garcia; President Klaus-Heiner Lehne and H.E. Shigeji Suzuki

ECA President Klaus-Heiner Lehne explained that the competences of the Japanese Embassy in Luxembourg cover not only Luxembourg but also the ECA. Therefore the Japanese Embassy in Luxembourg and not the Japanese Embassy to the EU in Brussels is in charge of the relations with the ECA.

Nobody better than H.E. Shigeji Suzuki could give an insight into how the BOA works, of its impact on Japanese policies, and the impact of its audit work on the Japanese society. All of this combined with a deep understanding of the EU and its institutions.

H.E. Shigeji Suzuki gave an overview on the history of the BOA and its work. The annual report of the institution is presented by its President to the Prime Minister every November. The report is also forwarded to the Parliament and receives great attention from the media. Besides the annual report, the BOA produces around ten special reports per year.

H.E. Shigeji Suzuki discussed three major policy areas of the Japanese government:

The energy policy;

The counter-policy on financial/solvency crises;

Flexible subsidies to local governments.

Energy policy is a world-wide issue and Japan is also committed to it. The Japanese government has encouraged investing in new renewable energy and promotes private solar electricity generation after the Tsunami and the nuclear plant accident of Fukushima in 2011.

Japan's Board of Audit and Japanese policies *continued*

There are also other common problems like financial crises. The Lehman shock was not the first. *Heisei* is the current era in Japan. Since 1997 Japan has suffered from negative growth of its economy, the so-called "Heisei Depression". Regional banks collapsed one after another, and Government decided to publically finance banks with solvency risks. Since 1998 64 financial institutions have received 104 billion euro to strengthen equity and the BOA continues to audit this financial remedy for private banks.

Unlike the ECA, in fact, the BOA can also audit private banks where public money is involved. And in its recent 2016 report money redundancy was recorded in the public account of bank remedy. The BOA called for an effective use of this redundant money stock.

Decentralisation is another main political issue in Japan where before all was regulated centrally. This implies a shift from regulatory audit towards performance audit. Local governments can now decide how to spend national allowances. BOA requests them to check by themselves whether they spend wisely. One example of the subsidy scheme for local municipalities is the development of Okinawa.

H.E. Shigeji Suzuki's presentation was followed by a Q&A session and ended with an invitation to us, in the ECA, to attend the Olympic and Para-Olympic games 2020 in Tokyo.



H.E. Shigeji Suzuki, Japan's Extraordinary and Plenipotentiary Ambassador to Luxembourg

The power of positive leaders

3 March 2017

A presentation to all ECA Members, Directors and Principal Managers by Jan Mühlfeit, former Chairman of Microsoft Europe. Jan Mühlfeit is now a global strategist, coach and mentor and recently published the book "The Positive Leader"

By Rosmarie Carotti



From left to right: Dieter Boeckem, ECA senior administrator; Jan Mühlfeit, the former Chairman of Microsoft Europe, is now a global strategist, coach and mentor; Jan Gregor, ECA Member; Eduardo Ruiz García, ECA secretary general

Jan Mühlfeit, a Czech manager, was introduced by Jan Gregor, ECA Member. Performance and how to motivate people are crucial aspects for leaders. This goes for the ECA as well, where motivating people is to the fore after the implementation of the ECA reform, said the ECA Member.

Jan Mühlfeit focused on human potential. Grounded in positive psychology, his model of the **4Ps of Positive Leadership** provides a workable system for any kind of leader and organisation.

The 4Ps of Positive Leadership

1. **Positive People (The 'Who')** – Discover and work to your strengths.
2. **Positive Purpose (The 'Why')** – Identify your mission and vision.
3. **Positive Process (The 'How')** – Manage energy, not time (become a 'Chief Energy Officer').
4. **Positive Place (The 'Where')** – Lead yourself to happiness, and success will follow.

The basis of everything is self-awareness, without which it is not possible to understand other people. And we have to focus on strengths rather than on weaknesses. This starts in school where the methodology has not changed for ages and where correcting weaknesses rather than building strengths is common practice. People should spend more time on things they can succeed in. Talent, however, is only a potential and needs investment in learning and thinking.

Often a plan is started before figuring out the mission. Leadership needs to figure out what is best for people and has to have a vision. Emotional inspiration answers the basic question why to do something. Having a meaning in life and making a meaningful contribution is a powerful driver of performance.

Leaders have little time and need to manage their energy. Physical fitness, emotional inspiration, mental attention and spiritual purpose as well as mindfulness, which means staying focussed in the present without judging what is happening around, will be useful tools.

What is the road to happiness? Happiness is not one final point or moment in time, it is “the overall pleasure you experience while on the path to unlocking your potential”.

Jan Mühlfeit stresses: “If people are able to leverage their talent and their strengths, they will not only be more productive and successful, but also happier. Unlocking human potential is a mantra for me personally, because I think that if we better utilise the best in us, we will manage to create a better world for all.”

Jan Mühlfeit’s outlook on the young generation is positive. He calls this generation disrupted because it is unlike any other previous generation. The young generation of today is the first of its kind to understand the uses of new technology and to follow its change better than older generations. Soon the young generation will take the lead in the decision-making process. Technology, however, Jan Mühlfeit feels, will not change what we do but how we will do it. And the digital paradox will be that brain will be even more important than in the past.

The personal mission will require strength, personal values and passion from leaders as well as unlocking human potential and combining the different strengths of people in a team.



Members' meeting room

The financial crisis in Spain: Bank restructuring and the supervisory role of the Central Bank

10 March 2017

By Simon Dennett, private office of Baudilio Tomé Muguruza, ECA Member



From left to right: Javier Corral, Director of the Audit bank restructuring process; Angel Fernandez Fernandez, Director of the Audit Spanish Bank supervisory function; Juan Carlos López López, Technical Director of the Department; Javier Medina, Member of the Full Session; Baudilio Tomé Muguruza, ECA Member

Baudilio Tomé Muguruza, ECA Member, chaired this session in which the Spanish Tribunal de Cuentas (TCu) presented two of its recent audits on the financial crisis in Spain; one on the bank restructuring process and the other on the supervisory function of the Bank of Spain in 2015, one year before supervision for systemic banks was passed over to the ECB. In the afternoon work went on with the ECA's Financial and Economic Governance (FEG) team responsible for banking audits.

The session began with a short introduction from Tomé Muguruza, after which the history and organisation of the Tribunal de Cuentas, its work, and the two audits, were introduced by Member of the Full Session, Javier Medina Guijarro, and Director of Financial Bodies, Carlos Lopez.

The first measures to offset the 'housing bubble' and the financial crisis were taken in 2008. The following year a Fund for orderly bank restructuring was created, which evolved in three stages: integration process of savings banks; taking a stake in the banks; and financial assistance from ESFS. In 2013 a change of legislation opened the possibility for the TCu to audit the Bank of Spain, with the objectives of verifying that the actions taken were in compliance with the regulations and to estimate the public cost of the bank restructuring process. It found that in general the regulations were followed and the cumulative cost estimation as of 2015 was € 61bn.

With regard to the supervisory role of the Central Bank, the presentation included a description of the Bank's new role in supervising the banking sector now that the ECB has assumed a supervisory role through the Single Supervisory Mechanism (SSM). For instance, the Spanish Central Bank has competencies regarding the launching of macro-prudential actions, in monitoring financial bodies' conduct towards clients, and carrying out the supervision of entities other than credit institutions. The audit report found that the Spanish Central Bank's structure was modified to allow it to adapt to its new functions, including the important separation of functions. Further, the Central Bank fulfilled all its legal obligations regarding supervision and transparency.

In Memoriam

**Paul Gaudy, ancien Membre de la Cour
du 18 octobre 1977 au 17 octobre 1987**



Nous avons le regret de vous annoncer le décès de M. Paul Gaudy, ancien Membre de la Cour, survenu le 20 janvier 2017.

Avant de rejoindre la Cour des comptes européenne, M. Paul Gaudy avait été commissaire aux comptes de la CECA et membre de la commission de contrôle des Communautés européennes.

En sa mémoire, nous publions un entretien extrait du livre édité à l'occasion des 35 ans de la Cour des comptes européenne.

Je crois en une collaboration plus efficace entre le contrôle interne et le contrôle externe

Par Rosmarie Carotti

R. C.: M. Gaudy, merci d'être venu pour nous parler des débuts de notre Cour. Nous aimerions mieux connaître ses origines car, si nous avons une histoire, nous pouvons mieux nous identifier avec notre institution. Vous avez été commissaire aux comptes de la CECA et membre de la commission de contrôle des Communautés européennes.

M. Paul Gaudy: En effet, nous sommes fin 1971. Ces deux fonctions sont exercées telles qu'elles sont prévues dans les textes des traités de Paris et de Rome sans qu'une précision fut jamais apportée.

Le Conseil a simplement prévu le nombre et la durée des mandats respectifs de deux ans pour la CECA et de cinq ans pour la Commission de contrôle.

Les obligations de ces contrôleurs se limitent à la rédaction d'un rapport annuel contenant leurs observations sans qu'une suite ne soit prévue: ces observations sont destinées aux Institutions contrôlées.

La fusion des Exécutifs en a modifié les compétences: le fonctionnement de l'ensemble des Institutions est confié à la Commission de contrôle, le Commissaire aux comptes de la CECA restant en charge du contrôle opérationnel de l'Institution.

Le renouvellement des deux mandats confiés à un Belge se heurta au changement d'activité professionnelle du titulaire qui du être remplacé.

C'est l'époque où, au sein du Conseil et de l'Assemblée parlementaire il est question du renforcement du contrôle externe et déjà un schéma de Cour des comptes est envisagé à terme.

La Belgique profita de l'occasion pour manifester dans les faits ce qu'elle défendait avec d'autres pays dans les projets de textes. Un accord sur la permanence du contrôle était pratiquement acquis.

En présentant ma candidature, la Belgique m'avait obligé à me consacrer full time au cumul de ces deux activités.

Du côté du Conseil, ma candidature a été jugée d'autant plus favorable du fait que depuis une douzaine d'années j'avais exercé exclusivement des fonctions dans les groupes financiers du Conseil chargés de rédiger ab initio les réglementations financières non seulement administratives mais afférentes à toutes les politiques communes progressivement mises sur pied.

R. C.: **Pourtant je crois que l'élément essentiel du changement voulu était la nouvelle indépendance de cet organe qui allait se former et qui était notre Cour des comptes.**

M. Paul Gaudy: Certainement en matière d'indépendance le Conseil s'est limité à prendre en compte la nature de l'activité professionnelle principale des candidats, activité qui a généralement présenté des garanties suffisantes, ce qui a été confirmé dans les faits.

R. C.: **Au début il était important de créer une Cour des comptes européenne aussi pour renforcer le rôle du Parlement européen.**

M. Paul Gaudy: C'est précisément cet élément-là qui a été décisif dans le long cheminement politique de cette époque.

On se trouve devant la volonté de l'Assemblée parlementaire de dépasser son rôle d'avis pour pouvoir participer, à l'égal des autres Institutions, au système décisionnel des politiques communes et de la politique budgétaire.

Les acquis des politiques communes et la récente mise sur pied du système des ressources propres donnent à l'Assemblée un argument supplémentaire d'intervention, d'autant que de ce côté la transformation de l'Assemblée en Parlement était une revendication du même ordre.

Mais du côté du Conseil, les réticences se firent jour quant à une passation de pouvoir trop importante et c'est finalement dans le domaine du contrôle que se dirigèrent les solutions envisagées. C'est ainsi qu'un système plus développé de contrôle externe surtout permanent fut envisagé et qu'il fut déjà à l'époque question de Cour des comptes.

R. C.: **Vous parlez de financement direct des Communautés, c'est à dire à travers les ressources propres traditionnelles, TVA incluse. Aujourd'hui on revient en arrière, à un système de contribution des États membres.**

M. Paul Gaudy: Cette décision de financement direct constitue un acquis politique important dans l'intégration européenne puisqu'il s'agit d'un dépouillement des attributions des États membres. Ce système, déjà en vigueur à la CECA, a aussi évité des discussions byzantines connues pendant la période antérieure chaque fois qu'il s'agissait de répartir les charges entre les États membres. On peut donc dire qu'on l'abandonnant il s'agit d'un net recul du point de vue politique.

R. C.: **Aujourd'hui l'on parle beaucoup d'audit de la performance et à l'époque?**

M. Paul Gaudy: Comme indiqué plus haut, les traités ont été fort laconiques sur la mission réelle du contrôle externe. Ils ont malgré tout envisagé la notion de "bonne gestion financière".

C'est la Cour des comptes qui a essayé d'interpréter de la façon la plus large possible cette notion tout en se heurtant à la prétention de la Commission de se réserver les décisions d'opportunité comme non discutables.

Avant la Cour, ce problème ne fut pas réellement discuté ainsi qu'on peut le voir dans l'état du contrôle avant la création de la Cour, état décrit dans un ouvrage intéressant du Directeur Général Hehlerman, jugeant la façon dont était exercé le contrôle dans la Communauté.

R. C.: **Quelle est la valeur ajoutée de notre Cour des comptes? Quel est son futur?**

M. Paul Gaudy: Personnellement, ainsi que je le disais au Président de la Cour, je crois en une collaboration plus efficace entre contrôle interne et contrôle externe.

Les circonstances ont fait et font encore que le domaine du contrôle externe ne cesse de s'agrandir tant dans le champ d'application de ce contrôle que dans l'aire géographique où il s'exerce.

D'autre part, la gestion des politiques communes est généralement initiée dans les États membres par les administrations nationales qui financièrement appliquent en premier lieu les décisions de financement communautaire.

L'accession aux faits devient ainsi extrêmement compliquée si aucun relais ne se trouve entre le début d'exécution et l'arrivée dans les comptes communautaires.

C'est la raison pour laquelle, personnellement, je crois à l'importance des relations entre contrôles internes et externes nationaux et contrôles internes et externes communautaires.

R. C.: Vous êtes donc favorable à un modèle de contrôle unique.

M. Paul Gaudy: C'est nécessaire, si l'on veut avoir une vue globale du coût des activités et même des politiques elles-mêmes puisque l'aspect financier est généralement déterminant.

Les collaborations dans une aire géographique agrandie sont donc essentielles pour que la Cour puisse avoir un jugement global des activités communautaires.

R. C.: La Cour des comptes européenne déjà participe à des réunions avec les Institutions supérieures de contrôle des États membres.

M. Paul Gaudy: Comme je l'ai montré, non seulement les contacts doivent exister entre contrôle externe des divers pays et la Cour, mais le contrôle lui-même doit être organisé en tenant compte des différentes interventions qui mettent en jeu le contrôle interne national avec justifications vis-à-vis de son contrôle externe pour que, compte tenu des compétences complémentaires, un jugement final intéressant puisse être donné.

Du côté de la Communauté, j'estime que la Cour devrait pouvoir, dans un futur aussi proche que possible, avoir un droit de regard plus direct sur le contrôle interne exercé dans la Communauté.

Cette responsabilité de contrôle interne devrait être directe vis-à-vis d'une Cour, véritable Institution de contrôle externe.

R. C.: Envers le Parlement européen, notre fonction est l'information, mais vous venez de dire qu'elle n'est pas complète.

M. Paul Gaudy: Certes, l'information du Parlement européen est essentielle et c'est là une justification supplémentaire de ce que je viens d'exposer. Comment est-il possible du côté de la Cour d'informer totalement si un système global n'est pas établi?

R. C.: Que pensez-vous de l'augmentation du nombre des pays dans l'EU

M. Paul Gaudy: L'augmentation du nombre de pays, problème politique qui s'impose à nous, pose pour la Cour comme pour toutes les autres Institutions, le problème d'organisation interne dans la gestion quotidienne. Je crois qu'au début nous avons déjà constitué des groupes partiels de membres chargés d'un même domaine de contrôle.

R. C.: Quels sont vos souhaits pour la Constitution européenne?

M. Paul Gaudy: Bien sûr, je souhaite qu'il y en ait une mais ceci est un problème strictement politique et même si l'on considère que, le nombre de pays augmentant, une constitution devient de plus en plus difficile à réaliser.

De surcroît des problèmes nouveaux sont généralement soulevés par tel ou tel État profitant de l'occasion pour remettre en cause certains acquis. Cette forme de remise en cause n'est pas seulement le fait de pays

arrivés récemment mais est également coutumière de pays fondateurs comme on l'a connu à certaines occasions antérieurement (chaise vide, adhésion manquée...).

R. C.: N'avons nous pas tiré des leçons du passé?

M. Paul Gaudy: D'une façon générale, ce que je viens de dire pour la Constitution s'est présenté plusieurs fois dans le passé et on n'en a pas tiré vraiment les conséquences. Cette remise en cause des abandons nationaux tend à se reproduire au contraire dans les grands événements de la Communauté.

Actuellement, les medias se soucient beaucoup plus des problèmes européens, ce qu'ils n'ont pas fait au départ. Dès lors, l'opinion publique joue un rôle aujourd'hui qu'elle n'a jamais eu au début.

De plus, l'organisation de la gestion des affaires en collaboration entre administrations nationales et communautaires fait qu'une catégorie plus importante de citoyens sont confrontés aux obligations communes et donc à la politique commune.

R. C.: Ce n'était pas si longtemps après la guerre, il y avait le souvenir de la guerre, des idéaux...

M. Paul Gaudy: L'après-guerre a résolu rapidement les tensions entre les peuples qui s'étaient opposés. La CECA a été, pour sa part, un exemple complet de ce que la réconciliation entre ex-ennemis d'hier a été réalisée dignement et rapidement. Du côté des Institutions, aux différents niveaux, les problèmes étaient pratiquement résolus dans les esprits de chacun. On peut dire que ce fut une réussite qui n'a jamais handicapé ni le fonctionnement des administrations ni les négociations communautaires. Cette ambiance communautaire a réalisé un climat d'unité et de collaboration remarquable.

R. C.: Pourtant, les pères fondateurs voulaient garder la diversité.

M. Paul Gaudy: En observant l'idée première des pères fondateurs, on doit conclure à ce que dès le départ ils ont eu cette vision d'unité. Cela se retrouve essentiellement dans le traité de Paris où tous les pouvoirs étaient aux mains de la Haute Autorité. Du côté des autres institutions qui ont suivi, l'objectif a été conservé et la diversité des domaines et des intérêts n'a pas permis une aussi grande unité.

R. C.: Que pouvez-vous proposer afin qu'on puisse retrouver cette union dans la diversité?

M. Paul Gaudy: Ceci est une donnée politique dans le cheminement vers l'intégration plus complète, chacun agissant dans une direction aussi proche que possible de l'objectif.

En ce qui concerne la Cour, elle est sollicitée pour fournir aux instances politiques et surtout au Parlement une vue d'ensemble des réalisations financières de la Communauté. C'est sous cet angle qu'elle peut agir en coordonnant les interventions des instances de contrôle nationales.

R. C.: Que pensez-vous de la DAS, déclaration d'assurance de la Cour des comptes, qui jusqu'à présent a toujours été accompagnée de réserves?

M. Paul Gaudy: Il est tout à fait normal que la Cour assortisse ses certifications des réserves qui apparaissent dans les observations relevées lors des contrôles. La rédaction de la certification doit être laissée à la Cour car il s'agit de faire ressortir l'importance relative des aspects positifs ou négatifs de la gestion communautaire.

R. C.: Avez-vous un message pour les Membres que vous avez connus aujourd'hui?

M. Paul Gaudy: je me rends compte de la difficulté de la tâche d'aujourd'hui de plus en plus complexe compte tenu de l'augmentation du volume des affaires et de l'étendue de l'aire géographique concernée.

Depuis sa création, la Cour s'est trouvée devant une gestion financière morcelée qui ne cesse de s'aggraver.

Les administrations nationales agissant suivant leurs procédures sous le contrôle de leurs organes tant internes qu'externes restent les premiers gestionnaires responsables.

Leurs comptes rendus à la Commission et la première appréciation de celle-ci reflètent la réalisation de l'ensemble des politiques communes dont le financement reste la pierre angulaire.

C'est à ce résultat que tant le législatif (le Conseil) que le Parlement attachent l'importance de leurs conclusions politiques confortées par les garanties trouvées dans les rapports de la Cour.

Son contrôle explique donc l'appréciation sur les rôles respectifs du système mis en place.

Il me paraît donc indispensable qu'existe une collaboration permanente avec les organes de contrôle intervenant aux divers stades la gestion.

Jusqu'où pourra-t-elle s'exercer, et quels sont les nouveaux moyens dotant la Cour? Telle est la question se posant aux politiques demandeurs d'une véritable Institution de contrôle.



Focus

**Special
Report
N°3/2017**



Published on
28 March 2017

EU Assistance to Tunisia

We assessed whether the EU assistance delivered to Tunisia after the Arab Spring revolution of 2011 has been well spent. We concluded that the money was generally well spent as it contributed significantly to the democratic transition and the economic stability of Tunisia after the revolution.

Nevertheless, a number of shortcomings were identified in the EU management of the assistance. In order to address these shortcomings, the Court makes recommendations for the European External Action Service and the Commission that concern the focusing of the assistance on a small number of sectors, strengthening the implementation of the budget support programmes, and finally, improving the planning of the programmes and speeding up their implementation.

[Click here for our full Special Report](#)

Seminar on environmental auditing - presentation of the Knowledge Node on Climate Change and Environment

ECA, 24 February 2017

By Jerneja Vrabič, attaché in the private office of Samo Jereb, ECA Member

Why a seminar on the subject of environmental auditing?

The newly created Knowledge Node on Climate Change and Environment is a place to share knowledge about different environmental topics, and also a place to share information about approaches, guidelines, methods and techniques for carrying out audits of different environmental issues. So, the idea of this seminar was to inform auditors about the activities and information available in the INTOSAI and EUROSAI working groups on environmental auditing (WGEA), to provide an overview of the revised guidance on environmental auditing and to provide a report back on a training course on environmental auditing held at the International Centre for Environment Audit and Sustainable Development (iCED) in Jaipur, India, in 2016. The Knowledge Node on Climate Change and Environment is led by Robert Markus, Principal Manager in Chamber I (Robert.Marcus@eca.europa.eu), who will be happy to provide additional information on the knowledge node and environmental topics. The presentations from the seminar can also be found on the web pages of the knowledge node:

Working groups on environmental auditing – a source of information and an opportunity for knowledge sharing and cooperation

Jerneja Vrabic presented the roles and activities of INTOSAI and EUROSAI Working Groups on Environmental Audit. Supreme audit institutions (SAI) throughout the world have different experience with environment audit; for some, environment audit is a regular part of their annual audit programs and, for others, it is not. WGEAs therefore act as a valuable contact point for environmental auditors, as a source of information on environment auditing and a place to share knowledge. ECA plays an active role as a member of steering committee in both the INTOSAI and EUROSAI WGEAs.



INTOSAI WGEA aims to improve the use of audit mandates and audit instruments in the field of environmental protection policies. Joint auditing by SAIs of cross border environmental issues and policies, and the audit of international environmental accords, is a special focus of the working group. The INTOSAI WGEA assists SAIs in acquiring a better understanding of the

specific issues involved in environmental auditing, facilitates exchange of information and experience among SAIs and publishes guidelines and other informative material for their use.

The INTOSAI WGEA maintains the largest collection of environmental audits worldwide on its website (<http://www.environmental-auditing.org>). Over the years the INTOSAI WGEA have published a great number of guidance materials on the subjects of water, waste, environmental fraud and corruption, climate change and biodiversity. In 2016 a set of new guidance materials was published to give advice and tips on how to audit government efforts to adapt to climate change and ocean acidification in the marine environment, waste management, energy savings, renewable energy, market based instruments for environmental protection and management and how to approach environmental impact assessments, how to increase the quality and impact of environmental audits and also on the subject of 'greening' SAIs.

In the period 2017 – 2020 the ECA will be leading a research project on the Visibility of Environmental Auditing and another project to develop a training tool on the 'greening' of SAIs.

Seminar on environmental auditing - presentation of the Knowledge Node on Climate Change and Environment *continued*



The EUROSAI regional WGEA aims to improve the management of natural resources and the environment in each country represented in the working group, and to make Europe a leading region in the area of good natural resources and

environmental management in the public sector. Through its activities, EUROSAI WGEA (<http://www.eurosaiwgea.org/>) aims to promote a spirit of cooperation based on integrity, open communication, and professional excellence.

A special focus of the EUROSAI WGEA is to encourage knowledge sharing among its members. This is done by organising thematic seminars known as “spring sessions”, training and annual meetings and by supporting different types of joint activities. Currently, 16 European SAIs, including ECA, are cooperating on a joint audit on multilateral environmental agreements on air pollution, eight European SAIs are involved in a joint audit on energy efficiency in public buildings and six European SAIs joined the audit on Mediterranean marine protected areas. Joint reports are expected to be published in 2018.

Guidance on environmental auditing – source of best practice, practical advice and tips from environmental audits worldwide

In the period 2014 – 2016 ECA participated in the process of updating the environmental ISSAIs. Dilyanka Zhelezarova gave an overview of the recently revised ISSAI guidance 5110 and 5120 on various aspects of environmental auditing, on ISSAI 5130 on sustainable development, which is still under revision and on ISSAI 5140 which also has to be reviewed due to recent developments on cooperative audits. The main changes of the ISSAIs 5110 and 5120 were to ensure coherence with other ISSAIs; to gain clearance on the subject and the scope; to highlight the specific elements in designing environmental audits; to provide references and cross-references with INTOSAI standards, ISA and ISO standards and WGEA documents; to update case studies.

ISSAI 5110 – Guidance on Conducting Performance Audit with an Environmental Perspective

The purpose of the guide is to provide SAIs with a basis for understanding the nature of environmental auditing as it has so far developed in the governmental sphere. The guide is intended to provide a sound starting point from which to create an approach to the satisfactory discharge of environmental auditing responsibilities within the context of each SAIs jurisdiction and mandate.

ISSAI 5120 - Environmental audit in the context of financial and compliance audits

The guide provides guidance to SAIs on how to conduct environmental audits by applying financial and compliance auditing practices. Compliance auditing with regard to environmental issues may relate to providing assurance that governmental activities are conducted in accordance with relevant environmental laws, standards and policies, both at national and international level. The Annex provides questions and guidance notes that might prompt possible dimensions of environmental audits.

ISSAI 5130 - Sustainable development: The role of Supreme Audit Institutions

The document offers an overview of the concept of sustainable development and includes practical guidance to SAIs how to integrate sustainable development into their

Seminar on environmental auditing - presentation of the Knowledge Node on Climate Change and Environment *continued*

audit work. The paper explains the concept of sustainable development and assesses the role that SAIs might play in auditing national progress towards sustainable development. The guideline provides an overview of how the concept of sustainable development may be reflected in the strategies, policies and operations of governments and individual agencies. It also explains how governments have set about developing frameworks and national strategies for pursuing sustainable development objectives and considers the opportunities these might offer to SAIs for review. The paper also considers the steps SAIs may need to take to develop their abilities to undertake audits in the field of sustainable development.

ISSAI 5140 Guide on cooperative audit of international environmental accords

The guideline aims to outline the approaches by which audits of international environmental accords might be carried out and describes ways of co-operation between SAIs. The guide focuses primarily on the audits of international accords related to the environment but it also applies equally to non-environmental accords as well as to other kinds of audits that SAIs may wish to carry out together. It defines the approaches by which cooperative audits might be carried out, i.e. concurrent, joint or co-ordinated. The guide outlines the general nature and methodology as well as the advantages and disadvantages of each type of audit. The guide proposes a protocol or agreement for SAIs to use when carrying out and reporting such audits. It outlines incentives for SAIs to carry out audits of international accords and to work closely with other SAIs and provides some examples of such audits and the associated advantages and/or disadvantages.

4th International training programme “Introduction to environment auditing” in ICED centre in Jaipur, India – from theory to its implementation in practice

Stefan den Engelsen presented the training on environment audit which was held from 20 November to 5 December 2016. The training was developed as part of the INTOSAI WGEA work programme with the SAIs of India, Estonia, Brazil and Indonesia. The training was hosted by the International Centre for Environment auditing and sustainable development (ICED) in Jaipur, India. In four years approximately 85 auditors have been trained on this programme.

At the beginning of the programme the introduction to performance audit was presented, concepts of sustainable development, good environmental governance and basics of environmental audit were explained and a sustainable development field trip to the water management project was organised. Environmental governance was defined as advocating sustainability as the supreme consideration for managing all human activities at a political, social and economic level. Environmental governance also views natural resources and the environment as global public goods, belonging to the category of goods that are not diminished when they are shared. The most important concepts in environmental governance are the polluter pays principle and environmental liability; the use of best available techniques and the precautionary principle.



Seminar on environmental auditing - presentation of the Knowledge Node on Climate Change and Environment *continued*

The general introduction to the course was followed by detailed presentations on auditing environment and sustainable development in the fields of water, biodiversity, waste and climate change utilising the guidance materials produced by INTOSAI WGEA. For each topic global challenges and important criteria to assess activities of auditees were identified.

Throughout the area of environmental auditing the main source of requirements and criteria are multilateral environment agreements, which regulate the process of global protection. Some of which are legally binding (e.g. conventions and treaties) and others are not legally binding, such as resolutions and decisions.

At the end of the program participants had to draft a final paper on a selected audit topic. The paper included a high-level risk assessment and audit design matrix. The final papers were reviewed by a panel and summary presentations were given to the group.

The lessons learned

This was the first seminar on environment audit under the umbrella of Knowledge Node on Climate Change and Environment. Around 40 participants from across all chambers of the Court attended the seminar. This indicates that not only auditors who are regularly involved in environment audits are interested in environmental topics. It is therefore important to continue with such seminars and build knowledge.

Workshop Professional Judgment: understanding how auditors process information

21 March 2017

By Raphael Debets, attaché in the private office of Alex Brenninkmeijer, ECA Member

A unique situation: being in a big conference room, everybody is working silent and with full concentration doing his/her task. But what was it about? More than 30 ECA colleagues carried out a case and real-time survey in the ECA's premises. All were unprepared, as part of the research, trying to get to grips with the relation between accountability and judgement; what is professional judgement?

Professional judgment is important in the public sector, where a variety of 'assessors' – such as auditors, evaluators, inspectorates and many others – operate and pass judgment on public organizations. Professional judgment is important yet difficult. Research has shown many biases and risks in professional judgement. During a two-hour workshop, ECA Member Alex Brenninkmeijer introduced Dr Thomas Schillemans (Utrecht University School of Governance¹). Dr Schillemans tested a special case of professional judgment with more than 30 auditors from the European Court of Auditors. The same test will also be done in other organizations.

This research aims to further understand how professional judgment works for performance auditors and public sector evaluators and what factors contribute to its success, drawing on insights from auditing, psychology and public administration.

This should lead to new insights in how professional assessors process information and come to their judgment. It will shed light on pertinent questions such as: when do assessors process more or less information? When are they more likely to make errors and, also, do auditors from the same organization weigh the same evidence in similar ways?

Some possible answers were discussed in an informal gathering during the lunch offered to the hard working and enthusiastic participants. The real answers to these questions will follow in autumn this year when Dr Schillemans will present his findings to all interested staff, here in Luxembourg.



EDITION HIGHLIGHTS

- 04 PROFESSOR MARIO MONTI AT THE EUROPEAN COURT OF AUDITORS**
- 08 THE FORUM FOR INTOSAI PROFESSIONAL PRONOUNCEMENTS AT THE ECA**
- 11 PERFORMANCE AUDIT ON THE SINGLE EUROPEAN SKY: ECA AUDIT TEAM IN WASHINGTON**
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- Mihails Kozlovs, ECA Member and Professor Mario Monti
- H.E. Shigeji Suzuki, Japan's Extraordinary and Plenipotentiary Ambassador to Luxembourg and President Klaus-Heiner Lehne