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# Where is auditing performed by supreme audit institutions headed for?

## International scene – a “snapshot”

**T**oday, an indispensable concomitant of a democratic state anywhere in the world is that it controls the entirety of management of public funds and public property, utilisation of public good and operation of the executive power through a constitutional institution independent of this power, on behalf of popular sovereignty, and with the purpose of supporting the parliament's work. Development of the (precursors) of the current auditing performed by supreme audit institutions and of financial auditing is linked to the enlightenment as an ideal of statehood, the principle of power distribution and the state serving the freedom of enterprising and citizens. What audit institutions everywhere do is basically facilitate the Parliament exercising its functions of legislation and scrutiny, as well as its fiscal right.<sup>1</sup> Supreme audit institutions and their professional precursors look back to centuries of history; such an organisation also has considerable traditions in Hungary.<sup>2</sup>

### THE GLOBAL ORGANISATION OF SUPREME AUDIT INSTITUTIONS – FACTS, EVENTS AND INITIATIVES

#### The objective and “constitution” of INTOSAI

Currently, supreme (national, state) financial control organisations or audit institutions are

operated in 189 countries, with professional development motivated and harmonised by INTOSAI (International Organization of Supreme Audit Institutions), a global organisation founded in 1953 as a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.<sup>3</sup>

The Lima Declaration adopted in October 1977 at the IX<sup>th</sup> Congress of the international audit organisation held in the Peruvian capital has been considered as the constitution of auditing performed by audit institutions.<sup>4</sup> According to the declaration, supreme audit institutions have fundamental duties: ensure compliance with laws and rules; provide for expedient, economical and efficient utilisation of funds; inform the parliament of the lawful utilisation of budgetary funds and the government's financial management; monitor application of rules concerning public funds and promote updating regulation. The document has always had the primary goal to promote general access to the accumulated experience across supreme audit institutions and to help them perform their auditing relying on uniform theoretical fundamentals.

Experience that has been gained from applying the professional regulatory system built upon the Lima Declaration and is still being

formulated and developed to adapt to changes (audit methodology) prove that it is necessary and possible to formulate and apply principles and rules for financial auditing across various traditions, cultures and political regimes.

### Major stages of changes

*At the XIVth Congress in 1992, a set of standards for auditing by supreme audit institutions was adopted, which has been practically in use since, and – relying on these rules – the Washington agreement was published.* The latter called for audits, as opposed to the current practice, to attempt to influence the government's financial management proactively and to offer suggestions to eliminate faults in addition to revealing them, instead of just being controls that explore, describe and identify responsibility. It was this conference where performance audits got a very strong emphasis, although as early as in 1986 at the XIIIth Congress held in Sidney, recommendations were approved to apply these, and parliaments were called on to recognise the necessity of audits performed by supreme audit institutions in the government sector.

The *strategic plan for 2005–2010 aimed at modernising* the organisation was assessed as a milestone in INTOSAI circles, which was approved at the XVIIIth Congress held in Budapest in October 2004. It was the first time that the organisation produced such a medium-term modernisation programme. A key component is the definition of tasks aimed at fully renewing the professional regulatory system of audits performed by supreme audit institutions.

The XIXth Congress held in November 2007 in Mexico City continued the line started in 2004. It specifically defined the key actions needed to implement the strategic plan approved by the previous congress. Around the

theme of improving skills to respond to the effects of the global economy, spotlights were turned on forced development of performance audits, as well as on the full and systemic renewal of regulation applicable to auditing. A congress declaration was published on the independence of supreme audit institutions.

It is not negligible from the aspect of the professional weight and the future of INTOSAI that on the 56th meeting of the Governing Board on 5 November 2007 the Secretary General's account had the opportunity to state that substantial organisations such as IMF, the World Bank, IFAC and IIA would *join the organisation as associate members* – and so they did. A preliminary to this, which is worth mentioning, was a joint conference held by the World Bank and INTOSAI in the spring of 2006 in Washington, where they reviewed the opportunities for cooperating to promote the efficiency of the system of managing public funds.

A major element in the chain of development was that the European Court of Auditors (ECA) set up the *Contact Committee of the Heads of the Supreme Audit Institutions of the European Union* pursuant to the Treaty of Nice of 2001, headed by the President of the ECA. First and foremost, the 2008 meeting (held in Luxemburg on 1 and 2 December) and the most recent meeting held in 2009 (in Budapest on 30 November and 1 December) are significant from the aspect of renewing the work of supreme audit institutions, primarily necessitated by the global economic crisis.

### Seeking responses to the challenges of the financial and economic crises

As early as at the meeting of the *Contact Committee of the Heads of the Supreme Audit Institutions of the European Union* held in Helsinki in 2007, it was considered important to promote cooperation among European

supreme audit institutions in terms of budgeting policy and audits supporting implementation of the Lisbon Strategy.

As part of the implementation, a *workshop was held also in Helsinki in September 2009*. “Knowledge networks” for budgeting policy and for the implementation of the Lisbon Strategy. The former is hosted by the Finnish, the latter by the Portuguese partner organisation. The knowledge network for implementing the Lisbon Strategy defined three topics for cooperation, these being: climate change, employment and labour market, and e-government. The working group emphasizes exchange of information. Parallel or coordinated audits may be carried out later.

*At the XIXth Congress of the INTOSAI held in 2007*, it seemed as if efforts were made to anticipate the global financial and economic crises of the recent years to a certain extent. At least inasmuch as the (professional) agenda included audit of the public debt and of the performance appraisal key indicators. The concluding document of the congress emphasized that supreme audit institutions are to assume an active role in auditing public debt, and to motivate the development and application of the set of national performance appraisal indicators.

At its third meeting held on 7–8 April 2010 in Astana, Kazakhstan, the *INTOSAI Working Group on Key National Indicators* set up pursuant to the congress resolution came to discuss the draft terminology guidelines to key indicators. In addition, they also discussed the work aimed at establishing a knowledge base for using the key national indicators for purposes of performance appraisal.

Due to the global financial and economic crisis – as voted unanimously at the *58th meeting of the INTOSAI Governing Board* held in Vienna in November 2008 – the *INTOSAI Global Financial Crisis Task Force* was established under the leadership of the United States

of America. Its first meeting was held – as a phone conference – in February 2009; then, *on 30 June and 1 July in Washington*, the causes and consequences of the crisis, as well as supreme audit institutions' responses to it and the possible ways of fostering cooperation – in this field – between supreme audit institutions and international financial organisations were reviewed. In the discussion, the Vice President of the World Bank, the President of the World Bank's International Finance Corporation and an IMF representative voiced their opinions.

*An expert taskforce was also founded for a similar task by EUROSAI. Its first conference-level workshop* was held at the head office of European Court of Auditors on 16 February 2009 in Luxembourg. Here the president of the SAO acted as the moderator and also held a lecture. This workshop was also a preparatory event to the INTOSAI programme aimed at implementing the activity of the foresaid taskforce set up by the global audit organisations to address the financial crisis. The lessons learnt from the questionnaire survey coordinated by the German and the Dutch partner organisation were reviewed at the event, which sought answers to what authorisations the European supreme audit institutions have in terms of auditing utilisation of public funds primarily provided from government rescue packages related to the economic and financial crisis. (Approximately, 70 percent of all supreme audit institutions directly hold such licences, and have work experience in this field.)

*At the event, a forum for exchanging experiences and a platform were decided to be set up.* Their formation meeting was held in May 2009. The forum collects and organises audits related to implementing the amended Lisbon Strategy and information supporting the supreme audit institutions' activities related to crisis management by the European Union. (It may be added that it obviously also applies to the contents of the document 'Europe 2020: A strategy for smart,

sustainable and inclusive growth' released as a communiqué by the European Commission.)

On 30–31 March 2009, a joint conference was organised in Paris by INTOSAI and ARABOSAI under the title *The role of supreme audit institutions in boosting performance of governmental organisations*. At the event attended by over 70 European and Arab supreme audit institutions, the first, introductory presentation was held by the President of the SAO. At the plenary session, spotlight was turned on the pressure to modernise supreme audit institutions, and the social and economic changes these organisations need to prepare for. There was an agreement concerning the special dual duty being formulated for supreme audit institutions; on the one hand, to facilitate keeping the discipline of financial management, on the other hand, to reinforce the advisory role, which helps assigning audit experience to macroeconomic trends.

The latter tendency, *advisory activity* implemented through synthesising audit experiences has gained ground in the work of the supreme audit institutions in a few countries – for example Belgium, Denmark, the United States of America, Finland, France, Germany, Russia, Slovenia, Turkey. Among others, our British partner, NAO stands out in this respect, for the strategic mission of the organisation is to help the nation towards reasonable and prudent financial management: *helping the nation spend wisely*.

At the latest meeting of the Contact Committee of the Supreme Audit Institutions of the European Union held between 30 November and 1 December 2009 (also in Budapest, the global financial and economic crisis, and the ensuing activities of the supreme audit institutions were handled as a central problem, and a seminar was also held on the official agenda. (Seminar on the 'Role of an SAI in assisting the government measures in response to the financial-economic crisis') In addition, the SAI's

duties arising from the Lisbon Treaty were addressed separately.

At the coordination meeting of *liaison officers preparing the meetings* in April 2010, preparation for this year's meeting of the Contact Committee of the Supreme Audit Institutions of the European Union commenced, which is to be held in October with *an analysis of the changing role of national parliaments on the primary agenda*. The liaison officers concurrently agreed on a meeting for the heads of the SAIs of the V4+2 countries (the Visegrád countries plus Austria and Slovenia) in late September 2010 to *review the responsibilities assumed by the supreme audit institutions at the time of the economic and financial crisis*.

At the meeting of the INTOSAI working group for *privatisation, economic regulation and PPP construction* to be held in May this year in London (attended by representatives of 27 SAIs, 9 of whom were presidents and 5 vice presidents), *similarly, the impacts of the global financial crisis were analysed* on the basis of auditing experience.

### Compliance with the law, eliminating corruption

At the IIIrd INTOSAI Congress held in Rio de Janeiro in 1959, a resolution was passed on cooperation to be developed with UN Economic and Social Council. Joint professional seminars and symposiums were held around this theme – generally, once every two years in Vienna. The XIIth such seminar held in the autumn of 1996, the agenda held an item on what SAIs can do about corruption and economic crime.

In the autumn of 1998, at the XVIth INTOSAI Congress in Montevideo, the work of the fore-said symposium was carried on at a higher level. A key agenda item at this congress was action against corruption. There is nothing (much)

new under the sun: at the conference, the areas of public administration most “infected” by corruption were marked and the current corruption map of (general) public administration was drawn up.<sup>5</sup> In the concluding document of the congress, recommendations on a strategic scale were formulated for SAIs concerning how to carry our combat against corruption and fraud.

More recently, on 11–13 February 2009 in Vienna, at the *XXth symposium organised by UN and INTOSAI*, attended by 180 experts from over 70 countries, the agenda, again, focused on exploring the reasons of and eliminating corruption, with the participation of representatives from international organisations such as OECD, the World Bank, INTERPOL, IIA and OLAF.

### Renewing and reorganising audit methodology

Transformation *and modernisation of audit methods*, procedures and techniques, has practically continuously *accompanied the history (of development) of the supreme audit institutions*. In the recent years, modernisation of standards has got in the focus in various working groups again – partly in connection with the development of the quality management system. (In parallel with that, development of the accounting and reporting systems also in line with the EU requirements is observable also in the competitive sector.)

Among audit standards, a marked “opening” took place in order to facilitate utilisation of the methodological results of other international audit organisations, relying on the fact that the methods of financial regularity audits of SAIs are in many respects similar to and partly identical with auditing methodology. This is how the possibility of and need for approaching and harmonising the standards of SAIs and of accounting. Cooperation was built

primarily between INTOSAI and IFAC, specifically with the latter's International Auditing and Assurance Standards Board (IAASB). In the survey conducted in 2007 by the board of professional standards, over half of the INTOSAI member organisations indicated their agreement with the dual approach, and they already use the IFAC standards. In line with the strategic plan of INTOSAI for 2005–2010, by “*building*” the ISSAI system, the *methodological documents were transformed and completed* in line with new organising principles and internal logic, and supervised by the foregoing board. *IFAC's ISA standards of audit type are strongly relied on*. INTOSAI assigns a Practice Note to each such standard, and these collectively constitute a standard governing an audit procedure for the SAI.

The number of standards and related guidelines adopted already in the hierarchical ISSAI system or planned to be developed in the near future is over eighty. Although – for example in line with the resolutions passed by the latest Congress held in Mexico City – *it is a central effort to spread performance audits and system audits as part of those, financial (concurrently, growing emphasis may be assigned to financial (regularity) audits and the related works of methodology*. Also because (“the king is naked!”...) at the level of INTOSAI currently there are no up-to-date and comprehensive methodological guidelines that could be referenced for financial / regularity audits.

At the same time, *compliance auditing* is getting to the forefront – as an independent *new audit type*. *It is not necessarily a regularity audit*, but is always represents control of compliance with some (set) of legal or other criteria. In parallel – also as a result of the work carried out at the XIXth Congress in 2007 – *increased emphasis is placed on the audit standards of “good governance”* (which set principles regarded as the professional minimum for organisations audited by the SAIs).



The European member organisation, *EUROSAI* also pays special attention to reinforcing the methodological fundamentals. At its meeting to be held in 2010, the Governing Board of the organisation plans to approve *methodological guidelines* containing “good practices” of quality management to guarantee professionalism and adequate quality of audits. The preparatory working group is led by the State Audit Office: the document was practically finalised at their most recent coordinating discussion held in Luxemburg in April this year.

Moreover, it is a fact – also confirmed by a survey conducted by the methodological experts of the State Audit Office – that currently no uniform European practice is in place concerning the system of professional (methodological) documents for audits performed by SAIs and publication of such. The publicly accessible information (via the Internet) is incomplete.

## Strategies of SAIs

Our methodological experts mapped the key features of effective strategies of 22 partner organisations, as well as those of the European Court of Auditors and the International Board of Auditors for NATO. They found short documents only few pages long, and documents over 100 pages.

*Strategies* generally overview the medium term, 3–5 years, and were mostly produced a few years ago. This is why they *do not contain potential responses to the most recent developments*, such as the global financial and economic crisis. First of all, they contain values and objectives. They are mostly focused inwards, and add more weight to the methods addressing the organisation and auditing methodology rather than specifically identifying the problems of the general government and focusing

on promoting resolution of such using audit tools.<sup>6</sup>

It is mostly SAIs relying on Anglo-Saxon traditions that materially consider processes in their economic and social environments that may influence the effectiveness of audits.

The State Audit Office has compiled strategies on three occasions, in 1998, 2002 and 2006, for the terms of parliamentary cycles. In those, specialisation to financial / regularity audits and to performance audits was implemented, and auditing the final accounts was made more complete. Through thematic examinations built on one another, evaluating opinion was formulated of the utilisation of public funds and public property in each area of the general government. In the parliamentary cycle commenced in 2006 and concluded with the parliamentary elections in 2010, its key strategic efforts were focused on promoting transparent and regular functioning of the public sector, reinforcement of fiscal responsibility, support to modernising the public finance system and on facilitating efficient performance of state duties.

## Is independence at risk?

*Back at the XVIth INTOSAI Congress* in 1998 in Montevideo and in 2001 at the *XVIIth Congress* in Seoul, the situation of and risks to the independence of national supreme audit institutions were raised as an issue.<sup>7</sup>

No further information is available of the reasons for which it was considered necessary to publish the document Mexico Declaration on SAI Independence and the related INTO-SAI Guidelines and Good Practices Related to SAI Independence *at the XIXth INTOSAI Congress held in the autumn of 2007*. The fact that spotlight was turned on this issue again three decades after the Lima Declaration, and that the relevant declaration (that is also part of the ISSAI system) was emphatically published

as a congress document was presumably aimed at calling attention to the risks to independence.<sup>8</sup>

Probably, a link to a special “trend”, i.e. fears of external interventions may be sought, which was also expressed in the spring of 2009 at a Paris conference entitled 'The role of SAIs in boosting the performance of governmental organisations'.<sup>9</sup>

A few months later, on 5–6 November 2009 in Zakopane, at the meeting of the heads (executives) of SAIs of the Visegrád countries plus Austria and Slovenia, the annual summary reports of these organisations, the legislative changes relevant to their functioning, as well as their bilateral and multilateral cooperation were on the agenda. The meeting emphatically addressed also the factors risking the institutions' independence.<sup>10</sup>

At the 59<sup>th</sup> meeting of the INTOSAI Governing Board held in November 2009 in Cape Town, a resolution was adopted related to a review of the situation following the INTO-SAI initiative concerning enforcement of the independence of SAI auditing, which was aimed at adding the Lima Declaration and the Mexico Declaration on SAI Independence to the official documents of the UN.

At the most recent meeting of the Contact Committee of the Supreme Audit Institutions of the European Union held in 2009 in Budapest, a separate (sub)topic was dedicated to debating the sources of threats affecting the limitation of independence – generating a number of contributions (*Threat of limiting SAIs independence in some European countries*). A declaration was also adopted, which urged EU institutions and the member states' parliaments to make all efforts to protect the independence of SAIs. The declaration was sent to the Secretaries General of INTOSAI and EUROSAI, in addition to the Chairs/Presidents of the European Parliament, the European Council and the European Commission.

## QUESTIONS AND CONCLUSIONS (INSTEAD OF A SUMMARY)

*Over a timeframe of decades, continuous efforts to adapt to the renewing challenges have been observable in the activity of INTOSAI, which controls motivating and supervising professional cooperation among national supreme audit institutions. It has been increasingly seen in the past few years, when almost everything “is in motion” (also) in the world of SAIs.*

Which are the major trends and directions of movement?

In the professional organisations, committees, working groups / task forces of INTO-SAI and EUROSAI as well as at various professional events, SAIs seek answers to *what tasks*, possibilities and limits the *most recent developments*, including the global economic crisis, the climate change, the demographic problems, the tensions around public finance balances, and – not by far least – the changes in the EU and the “fortune” of common policies, the Lisbon Strategy and the proposed Europe '2020 strategy represent in the medium term for SAIs, which primarily serve and support the activities of parliaments.

In addition, *almost the entire SAI methodology is being rearranged*. Financial / regularity audits practically “switch to” applying the international accounting standards adapted to the public sector. While modern financial / regularity audits are gaining attached value again, the trend confirmed also at the two latest congresses persists in order to increase the weight of performance audits, which are (or may be made) suited also for economic evaluations, and, within those, that of system audits. The hitherto bipolar system is being expanded, and a third pole is being added in the form of a compliance audit type.

*The methodological developments* answering the “how” question ultimately point towards unification in the world of SAIs, the compara-

bility and “interchangeability” of audits. In contrast, the possible answers to the question “what” concerning the subject, scope and internal content of audits influence the SAIs' positions, as well as the working and operating conditions subject to the successes or failures to resolve actions to be taken under the strategic dimension, their auditing performance and social and political acceptance. *The audit subjects, the centres of gravity of the task structure also depend on the strategic efforts of SAIs – in addition to legal requirements –, whereas the latter depend on the social embeddedness and recognition of the supreme audit institutions.*

Decades retrospectively, it is evident that a need for action against factors hindering legal compliance and legal security, such as corruption, has been pushed to the limelight from time to time, following a particular periodicity. Today, a peak of such a wave is seen. *The international audit organisation handles elimination of corruption as a key problem again.*

Last autumn, the President of the SAO emphasized the following – among others – at a less public conference held in the Ministry of Finance concerning the financial auditing tasks getting more focus among the circumstances of crisis management: “For a supreme audit institution for the public sector, it is increasingly a core requirement to exceed regularity and expediency audits, as well as performance audits concentrated on a particular institution. It must be capable of depicting the efficiency of each complex area of social duties, as well as the factors and underlying correlations influencing it, such as the effectiveness of problem handling by fiscal control / management, and the standard of utilisation of the financial resources used. It must be involved in developing the efficiency of harmonised problem management and financial management.”

*The question is precisely how to identify the most recent economic movements dominantly influencing the near future, as well as cross-*

*border changes that – significantly – also have strong social implications and their effects influence the situations and duties of the SAIs through economic and financial policies.*

Although it is possible that policy considerations on a strategic scale may focus on the foresaid orientation, it is far from certain that a willingness to accept them is sufficient to enforce them at any rate. It is only a seemingly academic idea. In reality, the problem is actually very practical, as never *has it been more true than today that the world is changing, and financial and SAI auditing must also change.*

It cannot escape our attention that concurrently with in-depth economic changes with hardly foreseeable impacts, or precisely in response to these, to a certain extent, the *executive power gains strength in terms of economic control in the majority of developed economies, and the intensifying tendency is that governments have their own parliaments (and not the other way around).* In this sense, *SAIs serve the parliaments, which lose their positions to a certain extent,* and in circumstances where changes have taken place not only in the context of parliaments and governments but also within parliaments in the mutual relationships of governing sides and oppositions, similarly to the style and, to a certain extent, content of the parliamentary work. Let us highlight only one of these this time: as opposed to the fact that the result of SAI audits controlling the financial management of the executive power were primarily utilised by the opposition for decades, today in most countries, accordingly, also in Hungary, *the conditions of pursuing the SAI's activity and the possibilities and limits of utilisation are much more complicated and differentiated than they used to be,* which is increasingly dominantly influenced by the interior political relations on a larger scale, in addition to the changed parliamentary circumstances.

All these may lead to a *weakened position of SAIs,* which fundamentally support parlia-



ments' exercising their functions of legislation and scrutiny. It is questionable what they have achieved relying on the Lima Declaration and on the resolutions passed in the one or one and a half decades at INTOSAI Congresses. *Today, it is not obvious any more that being (a) key bearer of economic constitutionality, SAIs will be able to fulfil their special role to balance the branches of power and to guarantee democracy also in the future*, whereas – and it is crucial – in case of the audit organisation of the Hungarian Parliament, for example, it was strongly emphasized throughout the negotiations preparing the transition to democracy that the state audit office to be established would not be a strictly professional organisation but an important institution guaranteeing implementation of democracy.

Probably, the threat to limit SAI independence was recognised, and an effort was made to eliminate the threat at the level of INTOSAI as a result of the outlined various global economic and financial changes typical of globalisation, as well as the ensuing rearranged (interior) political

relations of power. Presumably, they sought to demonstrate this threat by publishing a declaration on SAI independence as a high level, i.e. congress document in the autumn of 2007 at their XIXth world congress, and have emphatically kept the issue on the agenda since.

*Today, INTOSAI and auditing performed by supreme audit institutions are in a special period of drawing a balance and seeking a way. They need to find answers to how to respond to the new challenges using SAI tools, and primarily systemic performance audits, concurrently also maintaining or even modernising the traditional financial / regularity audits aimed at various accounts and reports. It is also subject to the success of the INTOSAI level professional development programmes currently underway, which affect the main courses of audits in terms of content, the internal proportions and methodology of auditing, how the national (state) supreme audit institutions are capable of adapting to the changes that materially influence their positions, work and utilisation of their work, and that formulate the future of SAI auditing itself.*

## NOTES

<sup>1</sup> The institutions independent of the government are headed by presidents or auditors general, but certain audit institutions are operated by boards, and some – that predominantly perform regularity controls – function as special judicial organisations and pass court orders. Such “Latin” audit institutions are a minority and declining, as opposed to the “Northern”, “Anglo-Saxon” office type supreme audit institutions, operating through audits, analyses, recommendations and – recently – expert advice, such as the State Audit Office. The dominance of an office type institution and the spread of advising is rooted in the fact that a new concept of planning, coordination and changed accountability are necessitated by increasingly complicated financial and economic processes that cross the borders of national economies in terms of drafting and implementing economic and fiscal policies, which can be traced and controlled only through audits that are suited to explore and assess performance, efficiency and the underlying correlations influencing them.

<sup>2</sup> Early traces of Hungarian state accounting and accountability / auditing are found in the accounts and documents of royal chambers. The oldest document dates back to 1528. Following western development, the requirement to control financial management of state income originated from the requirement of parliamentary constitutionality approximately two centuries ago. It gained increased ground in the Period of Reforms, and the control of (public) funds was made an integral part of the new parliamentary system laid down in 1848. The control of public funds was implemented after the Compromise. After the financial audit organisation of the Monarchy, the imperial and royal Supreme Audit Institution was established in the autumn of 1866, and a Common Supreme Audit Institution to control the funds flow of the common affairs of the monarchy (foreign affairs, defence and finances) was set up in the autumn of 1868. The Hungarian Royal Audit Institution was founded in 1870, and terminated in 1949. Later, a State Control Centre was

established pursuant to statutory rule No. 17 of the same year (and after reorganising it in 1955, a Ministry of State Control), and between 1957 and late 1989, the function of a central state audit organisation was fulfilled by people's control.

<sup>3</sup> The audit institution has been actively involved in the activity of the international auditing professional community, INTOSAI, ever since its inception: it assumed a considerable role in the global organisation's management by delegating the SAO's President to head the INTOSAI Governing Board (which means the board and, accordingly, the whole organisation) between 2004 and 2007, which entailed organising the global organisation's XVIIIth Congress in 2004 in the Hungarian capital. Previously, between 1990 and 1992, the SAO's founding president Professor István Hagelmayer was a member of the INTOSAI Governing Board, and also worked as the vice president of the European regional organisation of the global organisation EUROSAI until 1996. He was awarded the Jörg Kandutsch prize in 1992 in recognition of the member organisations' work in INTOSAI, bestowed upon the SAI that gave the best performance in terms of institutional development in the previous three years, which was the SAO.

<sup>4</sup> The document that consists of 7 chapters and 25 paragraphs addresses all material elements of auditing public funds. It determines the objectives and main types of audits performed by SAIs, their relationships with the legislative and executive branches of power, the key components of auditing competence and the audit methods. It defines the content of independence for national supreme audit institutions, justifies its necessity and lays down the conditions of enforcing it.

<sup>5</sup> Comparable to this at the SAO currently is the work being implemented under the title 'Mapping the risks of corruption- spreading an integrity-based public administration culture (project SROP 2009/1.2.4.). On this subject, a study has been recently produced in the SAO's research institute.

<sup>6</sup> In the chain of values, typically independence, integrity, expertise and cautious communication are the most frequent. Out of the values to be considered on auditing, service of the state and society, accountability and the 3E's (economy, efficiency, effectiveness) are mentioned.

Among objectives, the ones relevant to the functioning of our organisation are arranged separately. The audit objectives they consider important and the fac-

tors that influence selection are enumerated distinctly from them. Analysis of the external environment, the need to adapt to it and the comprehensive approach are mentioned in the latter group, and connected to these, selection of the audit fields, expanding the scope of their audits and improving the relationship with the audited entities are addressed. Special emphasis is placed on compliance with social expectations (in connection with this, four partner organisations, curiously enough, none is European, mention combat against corruption and fraud as a strategic objective). In addition, assuming a role in public administration is specifically identified among target groups/objectives, including assistance to the public sector and an advisory role related to good governance; also in this group, action against corruption is mentioned – by two SAIs.

Based on the experience gained from creating and implementing a strategy, the core objectives (in technical terms, its mission) of domestic auditing performed by the SAO were successfully matured and clarified, relying on the core values of the organisation. These are contained in the strategy that has been in effect since 2006, on the one hand, and, in a further organised format, in the SAO's Audit Manual that specifies the professional rules of auditing performed by the SAO. The SAO's mission is to perform regular and efficient management of public funds and public property, support safe operation of the state, promote the Parliament in exercising its fiscal right; the key principle is that audits, recommendations and advice aim at improvement and help; and the key core value is professional knowledge and experience. The attitude or *ars poetica* characteristic to the SAO's activity is that auditing performed in the present-which, in addition to the present, necessarily refers more to the past – always looks to the future, and also has an active role in formulating the future.

<sup>7</sup> During the congress debate in Seoul, the Secretary General to the organisation opposed to the proposal made by Canada's auditor general to set up a working group to examine the situation of SAI independence. His argument was that focusing on the issue may have political implications that may threaten INTOSAI's impartiality. The ultimately adopted recommendation was whereby the issue of independence can and should be paid attention as part of the committee for audit standards, expressly in connection with the objectivity of auditing.

<sup>8</sup> The documents referenced as ISSAI 10 and 11 are, by the way, schematic, small compilations without any particular news value, hardly covering 4 or 8 pages, respectively.

<sup>9</sup> In his report of the event, the President of the SAO interpreted it as: “The presentations, contributions and discussions have it as a recurring and cautiously circumscribed motive that intensifying authoritative and bureaucratised interventions are to be expected also in terms of the operation of SAIs. Accordingly, harmonised development of the advisory role and reinforcement of the institutions' independence are attached increased significance. In his closing address, the President of the French Court of Audit added particular weight to calling attention to this, indicating that governmental objectiveness – even in the event of good cooperation with the SAI – is limited.”

<sup>10</sup> According to the travel report, “the Slovenian president raised the issue that in the past one and a half decades politicians recognised the impact SAIs may have on society, as well as politics at both central and local governmental levels. It is no accident that the SAIs and their independence are attacked on numerous occasions ...”, moreover – the travel report reads – “...With respect to the current EUROSAI presidency fulfilled by Poland's SAI, under the last agenda item, Jacek Jezierski gave information on the promotions, actions and plans carried out or planned to be carried out by the Polish party in order to support the “campaign” initiated by INTOSAI to increase the SAI's independence.”

## SOURCES USED

### SAO DOCUMENTS

#### ♦ *Travel reports*

Travel report on participation in the seminar 'Approaches to budget reforms – challenges to SAI auditing in the 21st century', *manuscript, November 2006*

Travel report on the XIXth INTOSAI Congress, *manuscript, November 2007*

Travel report on participation in the workshop of the European Court of Auditors held in Luxemburg, *manuscript, February 2009*

Report on the conference held in Paris between 30 April and 3 May 2009 on 'The role of SAIs in boosting the performance of governmental organisations', *manuscript, April 2009*

Travel report on the work meeting aimed at developing guidelines to present good practices of quality management arising from processing subject I. of the VIIth EUROSAI Congress, *manuscript, April 2009*

Travel report on the meeting of INTOSAI Global Financial Crisis Taskforce, *manuscript, July 2009*

Travel report on participation in a workshop discussion held in Helsinki, *manuscript, October 2009*

Travel report on participation in a conference entitled 'Evaluation of PIFC (general government financial control system) in practice', *manuscript, October 2009*

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