

Implementing Reforms in Public Sector Accounting

Susana Jorge
Editor



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HOW DO SUPREME AUDIT INSTITUTIONS MEASURE THE IMPACT OF THEIR WORK?

Introduction

Supreme Audit Institutions (SAIs) carry out a vitally important role in democratic systems. The principles laid down in the Lima Declaration state that public sector auditing should involve monitoring all aspects of state services as well as informing government and the general public via objective reports (International Organization of Supreme Audit Institutions [INTOSAI], 1998).

SAI activity was traditionally limited to carrying out legal and financial checks. This was later extended to embody aspects related to public management (García, 2005: 7). Most of the initiatives put forward by New Public Management involved some kind of change to public auditing as the emphasis moved towards measuring outputs and incomes (Pollitt *et al.*, 1999: 195). New Public Management also influenced the way in which SAIs themselves performed as it introduced modifications to work procedures and required them to apply to their activities principles based on economy, efficiency and effectiveness (Pollitt, 2003: 163).

SAIs, therefore, are responsible for public sector monitoring, which provides information that highlights both good government as well as inefficient administrative structures. In the context of New Public Management it is also necessary to value the results of their activity and to measure the impact created by their performance. SAIs regard it as vitally important that the value and impact of their work be acknowledged by others (Lonsdale, 2000: 84).

Some of the most common tools used to measure SAI impact are: changes introduced by governments as a result of recommendations made in SAI audit reports; savings, in monetary terms, brought about by the application of measures proposed by SAIs; notice taken of SAIs by Parliament, the main recipient of reports; and finally, internal measures such as the publication of impact indicators or news items concerning SAI work (Pollitt *et al.*, 1999: 179-183).

The aim of this article is to analyse the instruments being used by SAIs to assess both the impact of their work and the extent to which impact is adopted. The repercussions of their work are assessed by looking at the annual reports of eleven

EU SAIs: *Algemene Rekenkamer* (Netherlands), *Bundesrechnungshof* (Germany), *Cour des Comptes* (France), *Najwyższa Izba Kontroli* (Poland), *National Audit Office* (Malta), *National Audit Office* (United Kingdom), *Rakunsko Sodišce* (Slovenia), *Riksrevisionen* (Sweden), *Tribunal de Contas* (Portugal), *Tribunal de Cuentas* (Spain) and *European Court of Auditors*.

The article looks into impact measurement by the SAIs and makes a comparative analysis of the procedures used to determine the impact of their activity on the basis of the various audit models they have adopted.

The following section includes a review of published literature on the impact of SAIs work. Section 2 concerns the methodology used in the study, while Section 3 deals with information about impact taken from the annual reports of the chosen SAIs. The paper finishes with a discussion and summing up.

1. Theory and literature review

Although documented evidence in literature about the impact of SAI work is scarce, the work of Pollitt and Summa (1997) and Pollitt *et al.* (1999) has been most valuable for this study. These two works are the result of a performance audit project in five Western European SAIs.

The project examined a large number of performance audits as well as other relevant documents put out by the SAIs – annual reports, handbooks and brochures. To get some kind of historical perspective, an analysis was made of documentation published over two, separate three-year periods, the first being during the 1980s and the second covering the period 1993-1995.

Project results were published under the title *Performance or Compliance? Performance audit and public management in five countries* (Pollitt *et al.*, 1999). In this publication, Lonsdale (1999, chapter 10) analysed the impact of performance audits and pointed out that, over the period they had studied, SAIs had increased work impact by means of various instruments.

Two years prior to the above publication, Pollitt and Summa (1997) had analysed how SAIs justify themselves as prominent institutions acting within the wider arena of democratic politics and administration and how they reflect their own activities. To do so, these authors compared the annual reports and a series of other documents published by the 5 SAIs being studied. They reached the conclusion that the SAIs had carried out different strategies in holding themselves to account in the material they had published. These strategies were related to the size of the publications and to the terms used to define themselves. The analysis also showed how the focus shifted according to SAI links to constitutional positions, their administrative cultures as well as a clear influence of New Public Management.

To complete the literature review, mention should be made of the work carried out by Schelker and Eichenberger (2003) and Torgler (2005). The former have researched repercussions on the tax rate of a stronger audit, while the latter has analysed the influence of higher audit court responsibility on the tax morale.

2. Data collection and methodology

This aim of this work is similar to the studies carried out by Pollitt and Summa (1997) and Lonsdale (1999 and 2000) in the sense that it sets out to analyse what tools SAIs are using to measure the impact of their work. To this purpose the annual reports for the year 2005 of 10 EU SAIs have been examined – *Algemene Rekenkamer, Bundesrechnungshof, Cour des Comptes, Malta National Audit Office, Najwyższa Izba Kontroli, Rakunsko Sodišce, Riksrevisionen, Tribunal de Cuentas de España, Tribunal de Contas de Portugal, and the UK Audit Office*. The annual report of the *European Court of Auditors* has also been included even though it does external audits of the European Union (European Court of Auditors [ECA], 2004: 7) and is not an SAI in the strictest sense. However its status and activities are so similar to those of national SAIs that it warrants inclusion in the study (Pollitt and Summa, 1997: 314).

Availability of annual reports on SAIs websites was the major factor when it came to choosing which institutions would be used in the study – the 2005 annual reports of Slovenia and Sweden were not available, so the reports of 2004 were used. Also relevant was the fact that they all belong to INTOSAI and to EUROSAI (European Organisation of Supreme Audit Institutions) and the fact that the 11 SAIs represent all the different models of government audit (National Audit Office [NAO], 2005a: 4). Also, the group of SAIs represents 66.14% of the population of the 27 member-States of the European Union.

Annual reports published by SAIs should report on activities carried out by these institutions (INTOSAI, 1998). Therefore, if they are estimating the impact of said activity, the annual report may be regarded as an appropriate document for this kind of information, or at least for a summary of it. In fact, Pollitt and Summa (1997) used annual reports together with other self-explanatory material to analyse how SAIs publicly explain their management system and Lonsdale (1999), by looking at annual reports, analysed the impact of performance audits undertaken by SAIs.

Empirical use of annual reports produced by external control institutions has not been particularly widespread. Nevertheless, the above-mentioned studies together with the work of Groenendijk (2004) – which looks at the European Court of Auditors' annual reports from 1996 to 2001 in order to analyse the way the European Court of Auditors assesses European member-States' performance in managing EU finances – justify the use of these documents as an experimental analysis tool.

3. Annual report analysis

According to a recent NAO study (2005a: 4-5), there are four different SAIs models operating in the EU: a court which has a judicial function (France, Portugal and Spain); a collegiate structure with no judicial function (European Court of Auditors, Germany and the Netherlands); an audit office headed by an auditor general or a president and independent from the government (Malta, Poland, Sweden and the United Kingdom); and finally a different model, headed by a president, in which SAIs carry out local, regional and central audits (Slovenia).

The analysis of the 2005 annual reports was undertaken bearing in mind the above classifications, which affect SAIs status and mandate (Pollitt and Summa, 1997: 314).

The study of each report was done in two stages: first, its contents were synthesized so as to highlight the kind of information given by SAIs; then, information provided by SAIs about the repercussions of their work was sifted out in order to highlight how impact had been measured.

3.1. Cour des Comptes, Tribunal de Cuentas de España and Tribunal de Contas de Portugal

The *Rapport au Président de la République 2005* (France) is a hefty tome of 766 pages divided into three parts concerning follow-up of Cour des Comptes (CDC) recommendations from previous years, observations and information about financial activity throughout 2005, as well as the annual public report of the CDC containing budgetary and financial material (Cour des Comptes [CDC], 2006).

The CDC publishes this report every year. It includes comments of the auditee and also an abbreviated version of the annual report barely 50 pages long.

The *rapport public annuel* contains a couple of new features in comparison with those of previous years. The report's layout has been changed so as to bring into the report itself information related to CDC financial activity. This used to be published as a separate document.

The second novelty is related to the impact of CDC work – the report includes follow-up of SAIs recommendations from previous years. Until 2005 the annual report only included information and comments about financial activity without referring to the effect of recommendations from prior reports. Nowadays all reports have a section devoted to the extent to which CDC recommendations have been acted upon.

The CDC follow-up section covers four chapters which include such areas as public finance, public policy, management and the putting into practice by the state of certain functions. The CDC, over 278 pages, describes how far recommendations have been taken into account and what changes the government has introduced in order to apply them. At the same time, the person in charge of the audited entity describes what process was used to comply with CDC recommendations, and occasionally points out problems which arose when attempting compliance.

Reading the report it is clear that the CDC carries out a thorough follow-up of its recommendations and that it is capable of reaching solid conclusions regarding recommendation compliance in all areas on the part of its auditees.

The *Memoria de Actuaciones del Tribunal de Cuentas de España correspondiente al ejercicio 2005* (Spain) adopts a completely different approach. It is a report made up of 98 pages divided into 5 parts. The first two deal with the main changes which have taken place in the regulation and organisation of economic/financial activity in the public sector over the year in question, as well as the functions assigned to the Tribunal de Cuentas (TCE), human resources, available material and logistical arrangements in place for carrying out state audits (Tribunal de Cuentas de España [TCE], 2006).

In part three TCE auditing performance is given a brief overview, while in part four the most relevant information related to jurisdictional activity is summarised. The fifth and final part includes a short reference to other areas of interest related to TCE activity during the financial year covered by the report.

The TCE annual report provides no information at all concerning the impact of its work, largely because it does no follow-up work on recommendations made in previous audits.

Despite the fact that the all-party senate/congress committee on relations with the TCE unanimously approves about 90 to 95% of proposals put forward, the recommendations are not then followed up by either the government, the committee or the SAI itself (Sánchez, 2006: 41).

The Tribunal de Contas de Portugal (TCP) has produced its 2005 annual report, *Relatório de Actividades e Contas* more in line with the French report than the Spanish one. The 95-page document consists of: an introduction; five sections related to the TCP mission and scope of performance, relations with parliament and the legislative assemblies of Portugal's autonomous regions and the government, internal control bodies, activities carried out and available resources, and an appendix which includes the annual TCP accounts and the audit report (Tribunal de Contas [TCP], 2006).

The analysis made of the report shows that the TCP uses two instruments to measure the impact of its work – recommendation follow-up and its relationship with the media, both of which are included in the lengthiest part of the report devoted to TCP activity.

As far as the first of these impact measurements is concerned, the report dedicates a specific section to the recommendations put forward by the SAI in previous years, or the same year, and put in place in 2005. This section of the report classifies recommendations introduced according to various categories (reliability and appropriate account presentation; legality and regularity; economy, efficiency and effectiveness; internal control systems; information and accounting systems; and organisation and management systems). Recommendations are also divided into areas (general state and autonomous regional accounting, administrative public sector and commercial public sector). The report points out that, during 2005, a total of 69 recommendations were put into place in the 3 defined areas.

As for the second measurement, the report specifies that 6,518 news items appeared in the media during 2005 – 3,509 in the press, 1,047 on radio and television and 1,962 on the internet. Most of the news came from official TCP documents (audit reports, annual report, etc.), press releases, and various other documents. Moreover, the outgoing and incoming TCP presidents were interviewed 10 times over the year.

The French, Spanish and Portuguese SAIs, which are based on the judicial or Napoleonic model, take very different approaches to the impact of their activity in their annual reports. The Spanish SAI makes no effort to justify impact because it does not even bother to measure it by using some of the instruments available to do so. The TCP and CDC are similar in the sense that they both measure impact by following up previous audit recommendations as well as providing specific data about the areas in which changes have been introduced. The TCP is the only one of the three to use internal impact measurement by establishing indicators which sum up the reporting of their work in the media.

3.2. Algemene Rekenkamer, Bundesrechnungshof and European Court of Auditors

The 2005 annual report of the Dutch SAI, *Algemene Rekenkamer* (AR), is an 85-page document consisting of 5 parts which deal with organization, audits of government operations, audits of government performance, participation in projects which contribute to improving public administration both within the Netherlands and abroad, and its own operational management (Algemene Rekenkamer [AR], 2005).

The report begins with a description of AR's mission and concludes with an appendix containing a list of all reports sent to the government, together with questions arising from them and their parliamentary record numbers.

The 2005 report is the result of the implementation of the 2004-2009 AR Strategic Plan, which emphasizes monitoring the effectiveness of its work and its influence in the results of this work (AR, 2003: 27).

AR realises that monitoring the effectiveness of its work is only possible if there is a suitable impact assessment system. This was actually introduced on 1 April 2004 and has two fundamental features: 1. impact assessment is not to be limited to one single assessment procedure; 2. assessment results are to be made available externally (AR, 2004: 2). Also, impact is to be measured through recommendations and undertakings included in the reports.

AR has produced an impact assessment manual which covers general principles and the process to be followed when carrying out assessment. The end of this process involves a report whose structure is also laid out in the manual.

In line with the strategic plan, the 2005 annual report introduces a section in part one which is devoted to impact assessment and attempts to answer questions such as "*What happens to our recommendations and the promises made by ministers after our reports have been published? Does our advice help?*" (AR, 2005: 8).

The annual report expressly points out that in the first impact assessment report published in 2005, it is noteworthy that most ministers and organizations were quick to act upon the recommendations made and that the few which failed to act did so because they disagreed with the recommendations. The annual reports also mentions that the impact of seven audits was assessed by checking up on 51 of the 72 recommendations made. These were classified into two groups: the first dealt with improving government operations and government performance while the second dealt with recommendations which had been fully or partially followed up, or not followed up at all.

In the rest of the report, AR summarises the main audits which took place in 2005 and, in every one of them, puts forward recommendations plus comments by those responsible for the body or area audited on whether or not said recommendations should be accepted. This in itself cannot be regarded as impact assessment, but it does show that recommendations are the hub of such assessment.

The report describes various tools used by AR to measure impact. In the first place they have set up an impact assessment system which monitors recommendation follow-up; secondly, they use internal measures by including, at the end of their report, data concerning monthly hits scored on their website over the last year and the number of reports which are requested most on the web, among which is the report on impact assessment in 2005; finally, the number of parliamentary questions tabled on each audit report

may be regarded as a performance impact assessment tool since it measures the extent to which Members of Parliament take notice of their work.

The *Bemerkungen 2005* (Germany) is the annual report on federal financial management published by the Bundesrechnungshof (BDR). It consists of 226 pages, divided into three parts, which include the main results of audits as well as recommendations to the federal government and the German House of Parliament (Bundesrechnungshof [BDR], 2005a).

It is clear throughout the report that BDR makes recommendations based on its auditing experience and its role assessing audited bodies, parliament and the government. It can be deduced that they use two kinds of impact measurement; on the one hand the report describes recommendations which have been accepted and those which have been adopted; on the other hand, it quantifies, in some cases, savings made or to be made by applying the proposed measures, and also possible ways of increasing income.

The effect of BDR recommendations is completed two years later with the publication of an audit impact report, which mentions the extent to which parliament has supported the recommendations and what action has been taken to implement them (BDR, 2005b: 12).

The Bundesrechnungshof also uses the budget to measure the impact of its work. The BDR takes part in budget negotiations between the Federal Ministry of Finance and other ministries, and “provides testimony to parliament in the course of preparatory talks with the rapporteurs of the appropriations committee during that committee’s deliberations”. (BDR, 2005b: 14).

Differences between the executive branch’s original budget and the one finally approved by parliament are considered to be an achievement on the part of the BDR as it has exerted some influence in drawing it up by recommending measures which involve budget savings or an increase in income (Hauser, 2005: 5).

The annual report reflects BDR participation in the budget cycle yet fails to provide data on savings made to the government thanks to BDR involvement in designing the 2005 budget. Throughout the report it is pointed out that the Ministry of Finance has agreed to the inclusion in the 2006 budget of some of the measures proposed by BDR and that several of the recommendations related to budget design arising from previous years have been borne in mind in the 2005 budget.

The Annual Report Concerning the Financial Year 2005 of the European Court of Auditors (ECA) is a 262-page document of twelve chapters, each one of which includes a set of numbered paragraphs and two annexes. The report, moreover, is the first full-year analysis of the 25 member state European Union (European Court of Auditors [ECA], 2006).

ECA observations in the report are accompanied by replies from the bodies concerned, and a report summary, together with a press release, can be consulted on the ECA website.

The chapters concerning income and major spending areas (common agricultural policy, structural and foreign actions, internal policy, pre-adhesion strategies, administrative costs and financial instruments and banking) include the results of progress follow-up in the application of recommendations from earlier audits put forward by both the ECA and the budgetary authorities.

There is no explicit measurement of work impact in the report. Nevertheless, it is useful to point out two aspects of this. Firstly, it is clear on reading the report that the ECA does do follow-up work on the main observations made in reports over the last few years and this work is summarized from time to time in charts which contain ECA observations, as well as a summary of, and comments about, actions carried out by the institution concerned and the institution's reply.

Bearing in mind Lonsdale (1999: 180), the count-up of ECA observations accepted by the committee may be regarded as an instrument used at the outset to measure impact. In the report the committee accepts ECA recommendations nine times and puts them into practice eight times.

The second aspect worthy of consideration is that from ECA's point of view impact is explicitly included in the annual report, given that it uses audit, and other, reports published on its website and in the Official Journal of the European Union as an instrument to measure the effects of its work (ECA, 2004: 29). Annex 2 of *The Annual Report Concerning the Financial Year 2005* has a list containing all reports approved by the tribunal since 2001. Over the period 2001-2005, ECA's activity results comprise 6 annual reports and statements of assurance, 61 special reports, 106 special annual reports and 50 opinions.

Of the SAIs belonging to the collegiate model, the AR and the BDR have both developed an explicit procedure to assess the impact of their activity. AR has designed a system to measure impact by following up recommendations and complementing this by using internal measures linked to its website and the repercussion of its work in parliament. BDR also does a follow-up, albeit less detailed, of its recommendations by describing those which have been accepted and those which have been put into practice. It completes its measurement of the effectiveness of its audit work by referring to savings or income increases produced by applying its recommendations, and to the influence it has in the budgetary process, although this last aspect is not quantified in the annual report.

The ECA, like the AR and BDR, follows up the main observations made in its latest annual reports but, as is the case with the CDC, it is necessary to read all of its 262 pages in order to identify which recommendations have been merely accepted and which have actually been put into practice.

3.3. Malta National Audit Office, Najwyższa Izba Kontroli, Riksrevisionen and National Audit Office

The *Report by the Auditor General for 2005*, published by the Malta National Audit Office (MNAO), summarizes the conclusions coming out of financial and compliance audits. The report is 131 pages long and is structured according to different ministries. For each ministry it contains information about reports on audits carried out in their various departments. Each of these reports has a similar layout and includes recommendations and management comments on the recommendations (Malta National Audit Office [MNAO], 2005a).

On reading the report it can be seen the MNAO uses opinions and observations made by managers about their recommendations as an impact-measuring instrument

– the report contains information about managerial reaction and actions already undertaken or to be undertaken so as to correct any irregularities which have been detected. As has already been pointed out, a starting point for impact measurement in any SAI is the count-up of the number of recommendations accepted by audited bodies, in this case sections and departments of the ministries examined.

The MNAO intends to measure the impact of performance audits by doing follow-up audits once a reasonable period of time has elapsed to allow the recommendations to be introduced (MNAO, 2005b: 16).

The *Najwyższa Izba Kontroli* (NIK) from Poland publishes an annual report which gives a general perspective on its activities, assessments and recommendations coming from its work during the year (Najwyższa Izba Kontroli [NIK], 2005).

The 2005 report is a brief, 58-page document whose contents, layout and shape show how NIK carries out its work. It begins with an introduction, in which the NIK mission and point of view are defined and then provides a series of indicators which measure achievements and success in 2005. The report goes on to report on structure and organization, on every one of its regional branches, on priorities and materials for audit in 2005 and then includes diverse information related to staff, international cooperation, publications, budget spending and a brief history of the institution.

The report makes it clear that NIK uses different impact measuring instruments. Firstly, it introduced, in 2005, a methodology which allows the financial results of its audits to be classified and quantified into financial profits and financial irregularities. Application of this methodology has highlighted the fact that these audit profits and irregularities amount to 1,059 billion and 18,332 billion Polish zloty respectively.

Secondly, NIK uses internal measurements such as impact indicators, among which are included the number of seminars they organize and those “significant representatives of science and public life” (NIK, 2005: 5) who attend them. Also included are the number of *lege ferenda* proposals and the number of pronouncements on audit results submitted to the Polish parliament.

Another internal impact measurement used is the media coverage given to their activity. The annual report contains the number of press conferences, press articles and television programmes devoted to NIK when they refer to how information is conveyed to the public administration, public institutions, public officials and the general public.

The *Report 2004* published by the Swedish Riksrevisionen (RRV) is a 44-page report whose aim is to highlight the most significant results of financial and performance audits carried out in 2003, as well as a series of special audits arising out of ordinary audits. The report closes with an appendix that includes a list of performance audits and a set of Advisory Board reports submitted to the Swedish parliament) up to June 2004 (Riksrevisionen [RRV], 2004).

A reading of the report makes it clear that its aim is achieved, since it does include the most important observations detected during financial and performance audits. It does not, however, provide significant information on the impact of its work. In fact the only specific reference it makes is to a follow-up audit on the clients of the Prison and Probation Service, and to the application of recommendations made by the Armed Forces, which came out of a special audit which took place after irregularities were detected during an ordinary one.

The *National Audit Office* (NAO) annual report for 2005 comprises 80 pages, the first half of which shows the results of its activity. The second half gives information about its participation in projects and international bodies, its staff and resources, its annual accounts and the impact of its work (NAO, 2005b).

The report groups together the different financial and value-for-money audits done by NAO into four major categories: defence spending, quality of services, private finance and partnerships, and sustainable development. In each of these sections the NAO lists the recommendations made to different bodies, the monetary savings which will arise, or have already arisen, from the implementation of the recommendations, and the recommendations which have already been accepted. Specifically, 93% of the recommendations made in value-for-money audits presented to parliament and considered by the Committee of Public Accounts were accepted by the government.

Another section of the report is called *Statement of Financial Impacts* and has been drawn up in accordance with the NAO's internal manual. This allows financial impact to be recorded when the SAI establishes, and the department in question agrees, that a recommendation has reduced the resources required to comply with objectives, has improved efficiency or effectiveness, or has increased income. The internal manual sets out protocol to calculate, agree and record financial impacts. If any impact involves amounts over 10 million pounds sterling, the Assistant Auditor General must approve it.

The Statement of Financial Impact is made up of two parts which distinguish between financial impact arising from financial audits and that coming from value-for-money audits. It only includes contributions above five million pounds. In 2004, the NAO achieved an overall impact of 515 million pounds, savings which in fact exceeded their objective of saving eight pounds for every pound spent while carrying out their work.

The NAO also points out that, on occasions, impact cannot be quantified because it involves, for instance, the saving of lives or improvement in the quality of life of cancer patients due to the availability of more information about their illness and better treatment and support services.

Lastly, the report contains other measurements related to the impact of the NAO's international activity, such as the prestigious Jörg Kandutsch Award for its contribution and achievements in the auditing field, or the 8.8 million pounds recovered by the Ghana Audit Service after wrong payments were identified by the NAO.

SAIs belonging to the Anglo-Saxon model also vary greatly from one to the other. The NIK and NAO annual reports highlight the interest both have in measuring work impact. NIK does so by using diverse measurement techniques, some internal, like the drawing up of indicators or their appearance in various branches of the media; and others focussed on financial benefits generated by their activity. The NAO also quantifies the financial impact produced when the audited body adopts its recommendations. The end result is delivered in the Statement of Financial Impacts, which includes the financial savings made through putting into practice recommendations arising from financial or value-for-money audits. Not only does the NAO measure the repercussions of its audit activity, it is also capable of quantifying the impact of its international activity and, at times, of assessing impact in qualitative terms.

The MNAO adopts a somewhat more distant posture in the sense that it assesses impact on the basis of management reaction and opinion and then indicates

recommendations which have been, or will be, acted upon. The RRV report does not contain any information on impact measurement.

3.4 Rakunsko Sodišce

The *Slovenian Annual Report 2004*, put together by its SAI, Rakunsko Sodišce (RS), comprises 57 pages divided into 12 sections, most of which deal with audit results.

The remaining sections in the report deal briefly with such aspects as quality control, RS cooperation with the National Assembly and various international bodies, RS training and employment, as well as a series of recommendations to users of public funds (Rakunsko Sodišce [RS], 2005a).

The RS report makes very few recommendations to audited bodies, and only once does it mention recommendations from a previous year which were adopted the following year. This paucity of information is explained in the section on recommendations, where it is pointed out that most recommendations are made to the auditee while the audit is taking place, and only a few are published in the reports or prepared separately.

Recommendation follow-up only takes place if major irregularities in the use of public funds are detected and not put right during the audit. When this occurs, the auditee is required to put forward a series of measures which will eradicate the defects and the RS, in turn, must verify the veracity of such measures.

The RS annual report emphasizes the results, rather than the impact, of its work. Thus it devotes most of the report to describing them. It uses various tools, among which one finds result indicators (such as the number of audits implemented), published reports, types of opinion, types of audit, or the time taken to carry out different kinds of work.

Discussion and summing up

The study highlights the fact that the SAIs, in their annual reports, use different tools to explain the impact of their work.

First of all, recommendation follow-up was the most commonly-used instrument. Report analysis, however, shows that, although eight SAIs do such follow-up, not all of them describe the changes brought about in the same amount of detail.

It is necessary to distinguish between those that only include recommendations accepted by management but not yet adopted (MNAO, ECA), those that identify recommendations which have been put into practice (CDC, TCP, AR), and those that quantify the financial savings that recommendation application has meant to the government (BDR, NIK, NAO).

Secondly, one measure of the worth of the work done by SAIs is the extent to which the media takes notice of them. By using a series of indicators that basically sum up the number of times they appear in the media, the Portuguese and Polish SAIs assess work impact.

More recently, state-of-the-art information and communication technology has joined the traditional media as a valid reporting tool used by SAIs to get their message

across to the general public. In the EU, apart from Greece, all SAIs have a website which provides non-financial information about their role and financial information about audit and annual reports (González, 2005: 20). In this study, two SAIs (AR and TCP) include in their annual reports impact indicators concerning the increase in hits scored per month on their websites, the number of most-requested reports on the Internet, or the number of news items reported on the Internet.

Thirdly, and apart from the previous two impact measurements mentioned above, all the SAIs assess impact very differently. At the beginning of its report the NIK describes the impact of its work by using a set of indicators. The AR quantifies the number of questions asked in parliament, while the BDR participates in the budget cycle and regards as impact measurements any savings or income increases arising from budget modifications suggested by the SAI. The NAO assesses the impact of its international activities and, along the lines of the United States Government Accountability Office, now uses qualitative impact measurements.

In the fourth place, three SAIs (TCE, RRV and RS) make no reference at all to impact in their annual reports. The TCE and RS fail to assess impact and the RRV does not generally include this type of information in its annual reports.

The fifth point to be made is that a comparative analysis of the SAIs shows that impact assessment measures included in the reports are influenced by the way each SAI understands its mission.

The NAO and the NIK describe their missions as “to help the nation spend wisely” (NAO, 2005b: 7) and “to promote economic efficiency and effectiveness in the public service to the benefit of the Republic of Poland” (NIK, 2005: 4). Both institutions apply this philosophy to themselves and save the taxpayer eight and five pounds respectively for every pound they spend to carry out their work.

This concept of mission has repercussions in impact measurements used. The NAO produces a statement of financial impacts in which it quantifies the application of recommendations it has put forward in its financial and value-for-money audits and calculates impacts in qualitative terms of both its recommendations and international activities. The NIK, on the other hand, approaches impact by means of instruments such as its appearance in the written and spoken press and the calculation of financial benefits generated by its work. Both SAIs, at the beginning of their reports, describe a series of indicators which include those concerned with performance impact.

For the AR, its mission is “to audit and improve the regularity, efficiency, effectiveness and integrity with which the state and its associated bodies operate” (AR, 2005: 1). In order to comply with this aim it considers that it should work along the lines of certain criteria: independence, efficiency and effectiveness (AR, 2005: 1). It believes that these criteria are applicable only when a suitable impact assessment system is in place.

One of the objectives of the BDR is to contribute towards federal government reform by publishing recommendations (BDR, 2005a: 3). It is not, therefore, surprising that throughout the report recommendations which have been both accepted and adopted are referred to, as well as the occasional calculation of the savings or income involved.

In the same way, the TCP’s mission is described as “consecutive audits” (TCP, 2006: 11), which are based on various activities, including recommendation follow-up.

This is done thoroughly by classifying according to area and type and by identifying the number of recommendations put into practice over the corresponding time period.

The relationship between mission and the use of impact measurement may be what justifies the absence of the latter in the RS and TCE reports; the RS mission is to report appropriately and objectively on the results of audits it carries out (RS, 2005b: 3), while the TCE is required to ensure a permanent and ex-post audit function of the economic and financial activity of the public sector conforms to the principles of legality, efficiency and economy (TCE, 2005: 8-9).

The sixth conclusion reached from the study is that, if one bears in mind the audit model followed by all of these SAIs, it is not possible to assert that any one model is more decisive than the others when it comes to creating impact assessment instruments. The NAO and the NIK, which use the Anglo Saxon model, the AR and the BDR (collegiate model) and the TCP and CDC (Napoleonic model) have all developed specific impact assessment procedures. However, the Maltese NAO (Anglo Saxon) and the Belgian ECA (collegiate) only include in their reports recommendations which have been accepted, but not adopted, by management.

Nevertheless, it may be said that certain auditing models do influence the kind of tools used to measure impact. NIK and the NAO (Anglo Saxon) quantify savings involved for the government when recommendations are applied in the same way that the CDC and TCP (Napoleonic) identify recommendations which have been put into practice.

Finally, to sum up, the study makes it clear that most of the SAIs looked at use different instruments to assess work impact. The most common measurement is recommendation follow-up, although the extent to which it is used varies greatly. This aspect of the study is really what allows the SAIs to be classified, independently of the auditing model they follow. They can be divided into four groups. The TCE, RRV and RS make no reference at all to impact measurement in their reports. At the other end of the scale the NAO, NIK, AR and BDR describe impact assessment systems which are quite advanced. Somewhere in the middle are the ECA and MNAO, closer to the TCE and RS in the sense that their only measurement is that of recommendations accepted by management. Closer to the NAO, NIK, AR and BDR are the CDC and TCP, which carry out a thorough recommendation follow-up but do not actually quantify in money terms.

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