

EUROSAI TRAINING EVENT

“Experience with the implementation and development of performance audits in reaction to challenges and opportunities in a changing environment”

(Prague, 27-29 April 2009)

“The process of direction, selection and approval of performance audit topics in a Court of Audit system structured in central and regional audit Chambers: from a common framework to individual inputs and the audit Chamber final decision”

(Workshop 1 : Strategic planning of performance audits. Direction, selection and approval of P.A topics)

*1. Introduction 2. The Italian Corte dei conti 3. The question
4. The audit planning procedure for the year 2009 5. Conclusion*

1. In the framework of the issues that we are dealing with during this panel, the performance auditing planning activity, I would like to introduce the planning procedure adopted by a Supreme Audit Institution which has not a pyramidal/hierarchical structure but a structure that I define as a 'nuclear structure'. I will try to define the meaning that I give to these formulas.

The pyramidal/hierarchical structure refers to an organization (in our case, a SAI) whose head (whether he is an Auditor general, an Auditor and Comptroller general or a President) is not only the external representative of his institution and the person directly accountable of the performed audit activities in front of the Parliament, but also the person who, inside his institution, formally takes any final decision, in particular, as far as we are concerned, the approval of the audit plan and, once the audit activity is performed, the approval of the audit report, followed by its presentation to the Parliament, if foreseen.

As for the 'nuclear structure', I have in mind my institution, the Italian Corte dei conti and I sincerely do not know if the Italian model is also proper to other Supreme Audit Institutions, legally set up as a Court of audit.

In a 'nuclear structure', according to the Italian model, the head of the institution (usually qualified as the President or the First President) keeps the role of the external legal representative of the Institution, but the functions mandated by law to the Institution (in our case the audit functions) are performed by different and autonomous "nuclei" which are directly accountable to the Parliament (or to the referees of the audit reports).

2. Now, I think it is necessary to say a few words about the Italian Corte dei conti, its functions, its structure, its different chambers and its members.

2.1 The Corte dei conti is the Italian Supreme External Audit Institution. Its functions, reconfirmed by the Constitution of 1948, are both the audit and the jurisdiction.

Concerning the audit function, the Constitution gives the Corte dei conti the task to report to the Parliament on the State budget implementation and on the financial management of different public bodies and enterprises (which are three hundred and fifty, at the moment).

Besides, according to a law preceding the Constitution, the Corte dei conti also has the remit of certifying the State financial statements.

Then, in the 90's, the Corte dei conti's functions were widened to audit the Italian public administrations financial management of the funds received from the European Union.

Finally, in 2001, a constitutional law gave the Corte dei conti the task to refer to the Regional Councils (the Parliament of the Regions) on the implementation of the regional budgets and to perform audit activities on the management of the public funds by the local authorities.

2.2 As for the nature of all these audit activities, they are comprehensive audit where compliance and performance auditing are strictly linked, with a greater emphasis on the result evaluation during the last years.

2.3 Within the Corte dei conti, the above-mentioned audit tasks and related activities are not exercised by an unique structure but are shared among many autonomous organs called Audit Chambers with clearly defined audit competences on a central and local level. The Audit Chambers are 25; five are located in Roma and twenty in the regions chief-towns.

At the Corte dei conti headquarters, there are:

- The United Audit Chamber (audit directives, State financial statements certification, Parliament hearings)
- The Performance Audit Chamber (performance audit of the activities of the State administration)
- The Public Bodies and Enterprises Audit Chamber (result-oriented evaluation of the financial management of the public bodies and enterprises)
- The Local Authorities Audit Chamber (global assessment of the impact on public finances of the financial management of the regions, provinces and municipalities)
- The Audit Chamber for Community and International Affairs (assessment of the financial management of the EU funds in Italy and coordinated audit with other Supreme Audit Institutions).

To the above-mentioned Audit Chambers, other 20 regional Audit Chambers (located in each chief town of the Italian regions) have to be added. The main task of the Regional Chambers is to refer, on a yearly basis, to the Regional Councils (the “Parliaments” of the regions) about the budget implementation and the financial management of public funds carried out by the regional governments.

In addition, the Regional Chambers also have to execute activities of performance audit concerning policies, projects and programmes implemented by the regional administrations and the administrations of the local authorities (provinces and communes/municipalities) acting in their own region.

2.4 The members of the Audit Chambers are magistrates. According to the Italian Constitution, the magistrates are “autonomous and independent” from any other power (Parliament and government); they are “subject only to law”; they are “unmovable”. The independence and the autonomy are also guaranteed when the magistrates plan and carry out the audit activities.

3 I have previously emphasised on the autonomy and independence of both the Audit Chambers and their members, the magistrates. Now, the question is “How is it possible to harmonise the underlined independence and autonomy with the need to present to the Parliament (or to the Regional Councils) on a yearly basis, as requested by law, audit plans based on a Corte dei conti common framework of audit strategy?”.

The answer to the question and the solution of the problem was found by putting in place a procedure based on general directives/guidelines given by the United Audit Chambers, followed by a detailed plan prepared by each audit chamber, based on audit

proposals introduced by the magistrates, members of the Audit Chambers. These proposals comply with specific audit guidelines approved by the audit chamber and based on its own specific audit task.

4 In order to explain the above-mentioned procedure, I would like to describe the audit planning procedure for the year 2009.

4.1 The directives/guidelines and criteria on the performance audit planning for the year 2009 were laid down by the United Chambers on the 14th November 2008. The United Chambers define the performance audit as “the audit aimed at assessing the economicity, the efficiency and the effectiveness of the public administration activities. This audit should be carried out through a compared evaluation of costs, time-scales, modalities and methodologies put in place by the public administrations and should enhance correcting and improving initiatives”.

The United Chambers guidelines for 2009 are focused on the following four main sectors, with suggestions of analytical audit issues.

a) Public finances/resources

- assessment of the implementation of the Domestic Stability and Growth Pact.
- funding modalities of the local authorities
- public debt and its settlement techniques
- contract on financial derivative instruments
- assessment of public resources and of their difference in relation to budget forecasts

b) Public spending principal sectors

- trend of the social security (pensions) scheme
- trend of the health expenditure

c) Organization of the Public Administration

- new organizational structure in relation to the federal system policies
- advisory contracts
- outsourcing of public functions and services
- regulatory authorities

d) Cohesion and sustainable development and economic growth policies

- environmental preservation and waste management
- energy gap
- technological innovations and incentives to businesses policies
- private project financing initiatives for infrastructures and transports
- public education and professional training linkages
- European Union funding of rural development

4.2 Besides, the United Chambers guidelines also give directives concerning joint audit to be performed by two or more audit chambers at a central and/or a local level. In this context, the suggestions made by the United Chambers involve the following sectors : health, social assistance, local public transport, education, public companies owned by local authorities.

4.3 According to the above-mentioned guidelines and directives, within the month of November 2009, all the Corte dei conti audit chambers (at a central and a local level) have approved their own audit plan, based on the analytical proposals introduced by each Audit Chamber members. These proposals were examined and discussed and then chosen within the Audit Chamber. Once approved, the audit plans were sent to the Parliament (by the central Audit Chambers) or to the relevant Regional Council (by the Regional audit chamber).

4.4 As an example, the Chamber for the performance audit of the implementation of policies and/or activities of the Ministries has approved its audit programme, based on the following selection criteria:

- follow-up of the Corte dei conti previous recommendations
- interest of the Parliament and the government for the real implementation of a policy, programme or project
- amount of the financial resources involved
- complexity of the implementation procedures
- delays in the management of programmes/projects and lack of utilisation of the funds provided
- highly innovative approach in programmes implementation
- monitoring techniques put in place by the administrations to avoid or reduce public resources waste

Taking these criteria into consideration, and limiting our analysis to the United Chambers directives concerning public finances , the Performance Audit Chamber has selected the following audit programmes:

- revenues originated by private illicit behaviours
- contentious proceeding concerning taxes
- assessment of public policies aimed at avoiding or reducing the tax evasion
- public management of properties seized to criminal organisations

- 5 I hope to have been able to give you the idea of how complex, but also fruitful, is the selection procedure of the audit issues of the audit plans approved by the Corte Audit Chambers. A procedure, as I said at the beginning of my intervention, aimed to favour and maintain the autonomy and independence of the Corte's magistrates and Chambers, and to reconcile these autonomy and independence with the need of a Corte common audit strategy in front of the Parliament, the government and the public opinion, the citizens.