

IV EUROAMERICAN EUROSAL-OLACEFS CONFERENCE

CONCLUSIONS AND RECOMMENDATIONS

Lima, Peru

INTRODUCTION

The Euro American Conference of the Supreme Audit Institutions (SAIs) of Europe (EUROSAI) and Latin America and the Caribbean (OLACEFS) are a true reflection of the efforts made by these regional groups to strengthen the ties of cooperation and friendship among their members; likewise, they provide an opportunity for reflection and the exchange of knowledge and experiences for the purpose of fostering best practices in governmental control, within the framework of the principles inspired by the International Organization of Supreme Audit Institutions – INTOSAI.

Its conception goes back to 1998, on the occasion of the XVI INCOSAI celebrated in Montevideo - Uruguay, when the Court of Accounts of Spain, the EUROSAI Secretariat and the Comptroller General's Office of the Republic of Peru, at the time President and Secretary General of OLACEFS, agreed to strengthen the interaction of the two organizations in view of the joint meeting due to the will to collaborate shown by SAI members in different forums.

Therefore, Madrid witnessed the First Euro American Conference in February of 2000 as its host in the Court of Accounts of Spain. The technical issue approved for the startup of work was "Cooperation of the SAI in Integration and the Globalization Process", the conceptual reference framework that gave rise to the study of public external controls in integration and globalization processes; cooperation experiences of the SAIs in integration processes in the EUROSAI and OLACEFS sphere; as well as perspectives on matters of SAI control and cooperation in the context of these regional organizations.

The Comptroller General's Office of the Republic of Colombia was the SAI of OLACEFS chosen as the venue for the Second Euro American Conference held in Cartagena de Indias in July of 2002, an appropriate time to expand the thematic spectrum to deliberate on a range of issues of common interest to the SAIs, from which conclusions and recommendations on "Control over and the fight against corruption in a globalized world"; "SAIs and international cooperation"; and "Control over environmental management" were extracted.

Based on a system of alternating between the two regional organizations, in May of 2004 it was EUROSAI'S turn and on this occasion, it was the National Audit Office of the United Kingdom that offered the setting for the Third Euro American Conference. In London, the SAI members of Europe, Latin America and the Caribbean concentrated their efforts on the study "Experiences of SAIs with electronic government" and "Training state auditors to perform their functions".

The IV Euro American Conference brings us back to America. This time it is the Comptroller General's Office of the Republic of Peru that assumes the challenge of hosting this event, which having brought together 38 delegations of EUROSAI and OLACEFS, has allowed two technical issues to be dealt with:

- i) Assets and financial disclosure of public representatives, procedures to avoid conflicts of interest: existing legislation and possible SAIs' performance; and,
- ii) Methodology for measuring and evaluating the impact of SAI audits on savings and the good use of public resources.

The following conclusions and recommendations are a synthesis of the Presentations and Contributions presented by participants SAIs, enriched by the ideas resulting from the debate assembled in plenary session on November 17 and 18, 2005.

We would like to acknowledge the support of the Offices of the President and the Secretary of EUROSAI, under the responsibility of the Courts of Accounts of Germany and Spain respectively, in addition, the valuable collaboration of the Comptroller General's Office of the Republic of Chile, the Presidency of OLACEFS.

Lima, November, 2005.

CONCLUSIONS AND RECOMMENDATIONS

TECHNICAL THEME I

“Property and income audits of public representatives, procedures to avoid conflicts of interest: existing legislation and possible SAIs’ performance”

INTRODUCTION

It is a universally accepted fact that any behavior violating the law and the ethical principles that guide public service affect the confidence on Public Administration, deteriorating the personal-professional prestige of civil servants. Actually, public corruption obstructs the operation of the democratic system. It is not only a deviation of public interest for which power was granted, but it also implies a reduction of its legitimacy risking therefore the democratic governance and feasibility of a country. In consequence, because of their nature, both representative democracy and development demand stakeholders committed in fighting against any form of social corruption in the exercise of public functions.

Nevertheless, corruption is not a phenomenon that only operates in the democratic ambit of the countries, it transgresses the limits of the states acquiring international dimensions. Therefore, in 1996, the member countries of the Organization of American States – OAS signed in Caracas, Venezuela, the Inter-American Convention against Corruption aimed at promoting and strengthening the development of the necessary mechanisms for preventing, detecting, handling and eradicating corruption, intended also to promoting, facilitating and regulating the cooperation between the party states for ensuring the effectiveness of such mechanisms.

The Convention contemplated in its Article III, the commitment of the party states to consider the applicability of preventive measures within their own institutional systems, for creating, maintaining and strengthening conduct standards guaranteeing the correct, honorable and adequate discharging of public functions. Among other aspects, such measures were aimed at preventing conflicts of interest and the adoption of systems for declaring incomes, assets and liabilities by the persons in charge of public functions.

It should be pointed out that within the ambit of the Organization for Economic Cooperation and Development, the purpose of the Convention against Transnational Bribery in effect since 1999 is to penalize the companies and persons that in their international commercial transactions promote or give payoffs or bonuses to foreign officials.

On the other hand, the Convention of the United Nations against Corruption, entered into in the city of Mérida, Mexico, on December 11, 2003, has considered also the aforementioned principles in paragraph 4 of its Article 7 referred to the Public Sector, establishing that in accordance with the basic principles of their internal laws, each party state should try to adopt systems for promoting transparency and preventing conflicts of interest, or maintaining and strengthening such systems.

Finally as the cost of corruption is shared by the society, the measures against corruption have not only to include the public sector but the private, since both belong to the same society.

CONCLUSIONS

1. Globalization, the international concentration of capitals and the development of information technology open the possibilities for committing equity offenses that go beyond national frontiers. The effective fight against this type of offenses is only possible through international cooperation. The globalization of international relations should provide greater opportunities for generating reciprocal cooperation and collaboration, such as the transcendental role that EUROSAI and OLACEFS fulfill within the framework of regional organizations.
2. The constitutional rank above laws given to the development of principles and standards for regulating the ethical conduct in the exercise of public functions and the execution of international key instruments should be highlighted, e.g. the Inter-American Convention against Corruption, the Convention of the United Nations against Corruption and the Convention against Transnational Bribery of the Organization for Economic Cooperation and Development.
3. Assets declarations are one the most commonly used instruments within the prevention strategy in the fight against corruption. They are aimed at controlling variations in the assets of public officials, as well as at identifying potential conflicts of interests.
4. The countries that have presented papers contemplate as a common denominator the adoption in their legislations of specific provisions on incompatibilities and conflicts of interest, as well as property declarations of public officials and servants. They intend to guarantee through these provisions, transparency, effectiveness and full engagement in public functions, seeking the satisfaction of public interest over any particular interest. However, it is necessary to substantiate this legislation in terms of management, for fulfilling its regulation objectives taking into account that in some countries the operators of these provisions are the SAIs, while in others, this task is carried out by other public bodies.
5. The ethical and legal bases supporting the obligation of public officials to file assets declarations is directly associated with the special situation, rights and responsibilities involving public service. To work in public administration constitutes a mission implying a distinguished social rank and obliges public officials to open to general scrutiny situations of private character for fulfilling the transparency principle. This entitles the State to investigate the equity situation of its officials.
6. The verification of assets is a sui generis administrative procedure that in general terms entails the verification of the information contained and/or provided in the assets declarations, and its compatibility with the economic

possibilities of the public official. The verification procedure in itself is based on evidencing the reasonability of the data indicated in the assets statement, and any omissions, incongruence or falseness will lead to the declaration of fraud or concealment of data that should be included in the assets statement, as a result of the study of the information contained therein, in addition to its adjustment to the instruction model for its presentation.

7. Even though the assets statement is subject to verification and admitted taking in consideration its reasonability, it does not guarantee the legality of its contents. The sworn declaration can be honest, but the declared equity not licit, under the assumption that it is determined that there is a lack of proportion between assets and incomes. Similarly, sworn declaration may not be admitted because it is a false statement, but the variation in the assets of an official can be licit. In the first of these assumptions, a different procedure is required for a detailed examination of the financial movements and the evolution of the assets of respective individual.
8. The systems for assets declarations face the following problems in several countries: (i) excessive centralization, (ii) difficulties for conducting formal and substantive controls, (iii) obstacles in public access to the declarations, (iv) human resources committed in useless and bureaucratic activities, (v) overwhelmed logistic capacities, (vi) impossibility of carrying reliable statistics on the degree of fulfillment, and the consequent public disinformation, (vii) aggravation of the chaos with the passing of time and the successive filing of declarations, among others.
9. Information technology tools allow a rational administration of the information contained in the assets declarations optimizing the human resources involved in the analysis of the data. It can be affirmed that the effectiveness of information technology systems for declarations in preventing and controlling the increase of assets and conflicts of interest are directly associated with the quality of the data and the analysis processes.
10. The dissemination of the contents of assets declarations involves different scopes in the internal legislations of the countries. In certain cases, there are no major restrictions, in others it is partial, considering that specific aspects of the contents of assets declarations are of a confidential character, while in some countries they are not of public character.
11. It is of key importance to improve the mechanisms of access to public employment, promoting the recruitment of qualified officials that comply with the licenses, restrictions and sanctions that may be necessary in the case of a conflict of interest.
12. It should be indicated that independently from the legal framework of a State, ethical behavior and education of public agents constitute substantial basic and essential factors of public dignitaries, officials and servants for abstaining from participating and solving matters in which there is a conflict of interest.

RECOMMENDATIONS

1. The establishment of principles and provisions for regulating the ethical conduct and exercise of public function in each country should tend to the full adoption of international standards. With this objective, the SAIs should establish mechanisms guaranteeing a continuing coordination with the subject matter under their competence.
2. It is imperatively required that international and interinstitutional agreements be adopted for facilitating the close collaboration between SAIs for fighting against corruption. Such agreements should favor the exchange of experiences, techniques, technologies and information with respect to better practices for auditing assets declarations, in accordance with the respective internal legislations.
3. Measures awareness promoting among public officials the awareness of the need for presenting assets declarations as an indispensable element for preventing corruption should be adopted. Emphasis should also be put on the need of an adequate analysis for determining whether the data contained in the assets declarations are true. Moreover, adequate measures should be adopted if irregularities are detected in the declarations. The SAIs have direct competence on the topic and should establish mechanisms for allowing the examination and review of the declarations presented by the officials.
4. Within the specific field of assets declarations, measures should be adopted for using information technology throughout the system providing it with automated reviews of the formal aspects and the capacity for guiding analysts in the substantial controls to be conducted. This would allow simplifying the follow up of the assets situation of the officials and reliable statistics. It would facilitate the publication of compliance and noncompliance listings and the availability of a simple, modern and effective mechanism for citizen consultation. This is an effort to which the SAIs that have under their competence the integral processing of assets declarations should aim. In countries where other institutions are in charge of this process, it is also important to promote the implementation and maintenance of an information technology system in which the SAIs should have the external control of such process.
5. On matters of assets declarations and conflicts of interest, it is deemed convenient that the countries should guarantee the objectiveness of the procedures under their competence through provisions avoiding spaces for discretionary opinion or the possibility for weighting or electing decisions by public officials. The SAIs that have under their direct competence these aspects should endeavor to promote such provisions.
6. The liability for failing to comply with the restrictions indicated in the laws associated with incompatibilities and conflicts of interest, as well as the provisions for assets declarations should give rise to an effective sanction of the official committing a violation. To that effect, it is essential that the provisions determine clearly and precisely the violations, the attendant sanctions and the

competent body for imposing the respective sanction. This is a topic that should be discussed with special interest by the SAIs, whether these aspects are under their direct competence or whether exercising later the audit of the responsible entities.

7. It is suggested that according to the particular conditions of the countries and the degree of success of their systems for fighting against corruption, their educational systems include in all their stages courses on ethics, for guaranteeing that when becoming adults children and young people assuming the leadership of our countries will act in function of ethical values, beyond personal or group interests. Within this framework, even though not directly under their competence, the SAIs should carry out specific tasks on educational matters, implementing citizen campaigns for honesty and moral integrity values.

TECHNICAL THEME II
**“Methodology for measuring and evaluating the impact of SAI audits on savings
and on the good use of public resources”**

INTRODUCTION

Upon adopting the motto “Mutual experience benefits everyone”, the International Organization of Supreme Audit Institution (INTOSAI) recognizes the importance of cooperation and collaboration ties among SAIs; as well as the need to improve the evaluation of their institutional management. It is for this reason that the formulation of methodologies and instruments to measure the impact of governmental control of the good use of public resources is accepted.

The importance of addressing the proposed issue is firstly to have measurements that provide information for formulating strategic and operating plans, which in turn are inputs for the Balanced Scorecard or BSC as a tool for management control; secondly, to have in place a methodology that will allow measuring measure results and their costs quantitatively and qualitatively; and finally, to evaluate and measure SAIs’ mission performance in relation with the responsibilities corresponding to them.

Finally as the cost of corruption is shared by the society, the measures against corruption have not only to include the public sector but the private, since both belong to the same society.

CONCLUSIONS

1. As the need for an integral methodology is evident, there is incipient development regarding a methodology for evaluating the impact of audits on savings and the good use of public resources, proven and accepted by the international community, that incorporates and brings together the different practices and proposals developed by the SAIs for different, specific aspects of auditing. The development of a way of measuring and evaluating the impact of auditing in detail, using methods and indicators proponed by the different SAI, is still pending.
2. Among the questions that arise regarding the evaluation of auditing are those related to the base line for comparison, as well, as those concerning the units of measurement and the basis for establishing their value.

3. The difficulties of measuring impede the comparison of the effectiveness of control instruments to identify those that should receive greater emphasis (more resources and intensity), as well as those that exceed the benefits reported. Currently, that comparison is subject to an evaluation based on the perception and particular case of each SAI.
4. It is a challenge for each SAI to obtain valid, precise information to be able to follow up on its actions, for which it is necessary to have a database and a methodology which allow the elaboration of indicators for measuring the impact of the higher-level audit.
5. The pending agenda is to define the covered areas, which could be: (i) micro, or the companies and economic agents individually, (ii) meso, or the companies in aggregate by sector or region, (iii) macro, or economic policy, and (iv) metaeconomic, cultural or social changes.
6. Emphasis is placed on the use of strategic planning as a management tool and the need for financial plans and the budget to be tied to it, as they are a consequence of the highest level guidelines, whether for the State or the institutions which form part of it. Thus, to use available resources in the most effective way, strategic management that guarantees the achievement of the objectives within a specific period in line with clearly identified priorities is indispensable.
7. Strategic maps are another instrument for evaluating the performance of SAIs. A strategic map shows how SAIs create public value, showing a representation of the relations among the components of the strategy, without eliminating the subject of causality.
8. Therefore, having a Balanced Score Card (BSC) is an assumption of management based on indicators, which go from strategic to operating levels. That is to say, the indicators must allow monitoring and follow up of the objectives, in addition to analysis of the behavior of the organization in the short, medium and long term as part of the strategic direction.
9. Other instruments for evaluating the contribution of auditing are: (i) implementation of recommendations made by the SAIs, (ii) surveys on the opinions of members of the Legislative branch, (iii) surveys on the opinions of audited institutions, (iv) public opinion surveys on the impact of SAIs.

10. The SAIs of OLACEFS indicate that the inherent opaqueness of the corruption phenomenon entails the risk of inaccurately measuring their influence based on perception indicators, for which reason they feel it is important to make a joint effort to establish indicators that facilitate their measurement as objectively as possible.
11. Some countries apply the evaluation of the impact of regulation, which is an analysis tool related to the possible impact of policy changes that can affect the public and private sectors, as well as the range of options for their implementation. The evaluation of the impact is performed in terms of costs, benefits and risks regarding any proposed regulation, whereby the SAIs are able to advise other State entities to amend, accept or nullify the proposed regulation.

RECOMMENDATIONS

1. Regarding the foregoing, the need for a specific methodology for evaluating and measuring the impact of public auditing on the improvement of the management of public institutions and therefore, the State, is underscored. It should be mentioned that each methodology must take into consideration the direct and indirect impacts, while isolating the effects produced by the intervention of the SAIs from those that originated due to the performance of the agents of the environment itself.
2. Additionally, this methodology must have a set of quantitative and qualitative indicators developed in terms of effectiveness, efficiency and economy that make it possible to measure the end effect of the recommendations and criteria established as a result of SAIs' intervention. The SAI must use these indicators where audits are carried out (micro, meso, macro and meta), as well as from the strategic levels to operating levels, thereby allowing the monitoring and follow up of the objectives and analysis of the behavior of the organization in the short, medium and long term in accordance with strategic planning. Such benefits should be measured not only in the public sector but also in other sectors that do not fall within the control of SAIs.
3. It is recommended that guidelines be developed for the establishment of a base line that sets forth reference values against which to compare the variances of the

indicators. It is also indispensable establishing units of measurement and a valuation basis to facilitate this measurement.

4. The SAIs should also establish a regulatory framework that allows the gathering of valid, precise data conducive to the analysis of impact measurement, requiring the audited administration to provide documentation of management changes which occurred, as well as access to this information.