

**Dr. Árpád Kovács:**

## **Building Good Governance: Experiences of the SAIs in Central and Eastern Europe**

Recently the Court of Audit of a European Union member state, Greece, requested me to contribute my thoughts about the tasks of Supreme Audit Institutions in the service of Central and Eastern European countries to a book of studies they issued on the occasion of the 170<sup>th</sup> Anniversary of their institution. I sent the draft of my paper to the Heads of Supreme Audit Institutions in the countries that will join the European Union in 2004, and received their support for the finalization of my work, which I used as a framework for the thoughts discussed in this essay.

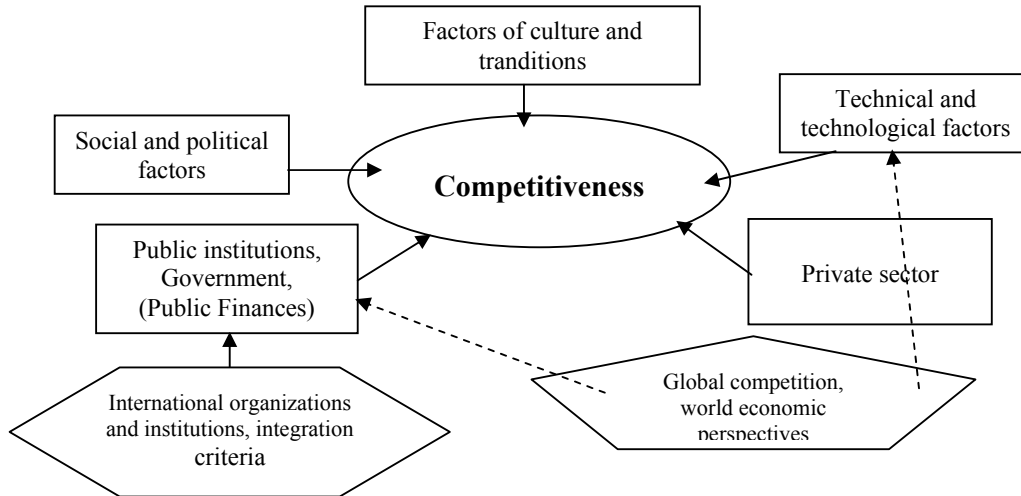
### **1. General requirements and challenges**

Along with other transitional challenges at the beginning of the past decade, the Central and eastern European Countries (CEECs) had to re-introduce the audit practices used in a system of democratic institutions, and re-establish their supreme audit institutions operating independently from the executive branch of Government. As a result of this, the former politics-dependent supreme audit institutions (SAIs) were replaced or, re-constituted on the major turn of the socio-economic changes beginning with the year of 1989. These institutional changes were based on new laws, largely benefited from the audit experience gained in the Western democracies, in most countries. In these countries of Central and Eastern Europe, in terms of accounting, taxation, and financial control, the systems had to be restarted in a way that not only laws had to be passed and institutions re-established following a lapse of 50 years. In addition to training staff for the use of new rules, the institutional culture, work style and thinking also had to meet the expectations arising from the need for a stable, balanced management of public finances, an improved competitiveness and increased capability of integration.

Even today, one of the most important economic roles of the state, in addition to the traditional public administration, defence, and public finances management roles, is to ensure a transparent, predictable, and accountable system of economic regulations and operational framework for the market economy. At the same time, and this meant extra challenge and more need for development and adaptation in the transition countries, the public finance system is the biggest buyer on the market with a strong influence on the demand side, and if

these public finance systems of the different countries are linked, a special international “buyers-cartel” is created.<sup>1</sup>

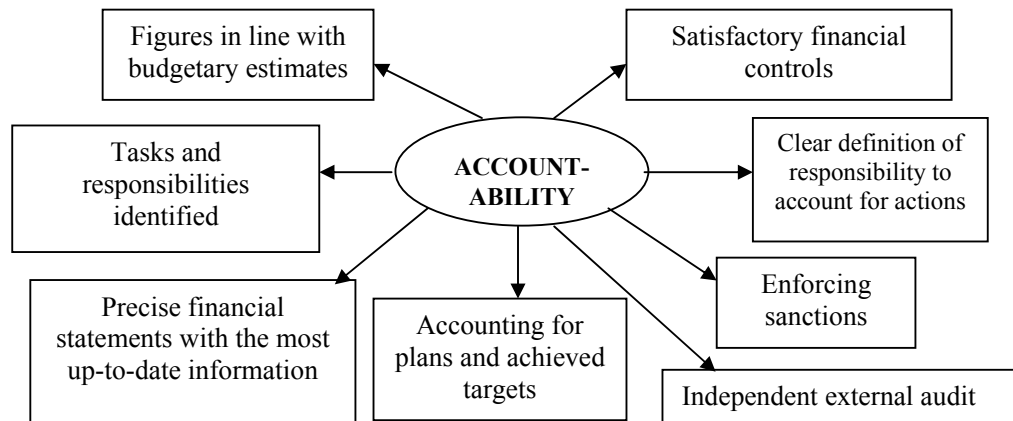
### Factors and conditions influencing competitiveness



Essentially this meant that these countries had to do everything, on both national and international levels, to enforce the criteria of transparency and accountability.

### Accountability

*Definition:* To ensure that actual expenditure is in line with planned expenditure, and outcomes contribute to the achievement of Government objectives

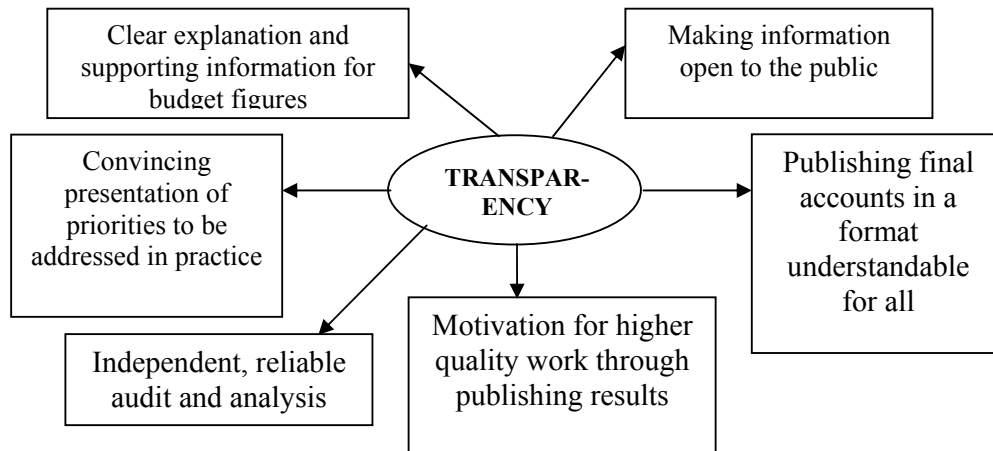



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<sup>1</sup> Árpád Kovács: Pénzügyi ellenőrzés változó erőterben (Financial Control and Audit in a Changing Environment), Perfekt, 2003. Budapest

## Transparency

*Definition:* To clearly identify how the resources should be used and how they were actually used



As a basic condition of the criteria set out in the Figures above, it was primarily the supreme audit institutions themselves who had to interpret and protect their independence. In every moment, they had to first demonstrate the transparency and accountability of their own operation. It is probably a good time to look back today on what kind of internal and international effort and co-operation was needed for this. I would like to present here some of these aspects without attempting to draw up a completely exhaustive picture.

### 1.1. Transitional challenges

From the very beginning of the transition process, the new SAIs intended to serve jointly both the political transition and the profound economic changes with a view of building a new role for the state and establishing democracy. Consequently, two “transitional” features represented the bulk of the major tasks of the SAIs:

- To respond the challenges of a transitional society (e.g. increased demand for regularity audits because of the numerous irregularities due to such phenomena as the privatisation, the re-establishment of the partnership between the state (including municipalities) and the rapidly growing private sector, the likelihood of the corruption, etc.);
- To help building new relations between the Parliaments and SAIs in the new constitutional as well as socio-economic systems of the countries concerned.

In general, the SAIs fulfilled these “transitional” tasks in the Central and Eastern European region. They contributed to ensuring the rule of law in the region by strengthening the structure of control and reducing the access to the “soft” budget constraints in most countries. Their service was particularly valuable in the field of privatisation where the objectives and the high expectations were not always met, and its process were often followed by considerable criticism and controversy in the CEECs.

As regards the new relationship between the SAIs and the Parliaments the change has been remarkable too. The SAIs —along with the Parliaments — became indispensable elements of

the complex system of accountability of the Government by delivering of the results of their audits. Although, there might be a great variety of the formal locations of the SAIs in the state structure, their independence from the governments appeared to be a common feature in the CEECs in the line with the Lima Declaration and the INTOSAI Auditing Standards. Also, the establishment of the parliamentary committees as daily partners for the SAIs represented an important change in this field.

Despite the progress made in the relations between the Parliaments and the SAIs, however, there were many perceived shortcomings in SAIs' relations with the legislative bodies. One of the most important shortcomings from among them was the fact that the Parliaments were interested in regularity audits only owing to the responding needs to the actual political issues as well as to the conformity to those laws they had been previously voted for. It also holds true for the privatisation and after privatisation issues where the performance audits should have been badly needed, moreover, the traditional fields of performance measures also had suffered from lacking them.

## 1.2. New challenges

From the mid-1990s two additional developments started to orient the activities of the SAIs increasingly in the CEES region. These were as follows:

- Needs due to the demands of better responding to the use of budget resources through not just financial but performance audits and quality assurance in the flow of auditing work.

The CEECs have long recognised the importance of government reforms and accountability. In the course of the different reform efforts the supreme audit institutions have been asked by their governments as well as sometimes their legislative bodies to assess the results achieved, many times the economy, efficiency and effectiveness of their programmes, projects, as well as to examine and to help improve the financial and economic control systems including the internal control systems. The SAIs have been asked to provide assurance and advise to assist governments and legislative bodies in auditing the output of their efforts.

These requirements call for SAIs to develop their capabilities and apply the highest level of audit procedures and techniques to ensure the decision-makers that the budget resources and assets are utilised in an economic and efficient way.

- It is important to note that the development impact of the demand derive also from the “candidate country” status to the European Union. In this context it is of great importance that beyond the incorporation of the *acquis communautaire* there is also need to “develop the public services required to implement the Community rules with the same guarantee of effectiveness as in the Member States”. Consequently, the direct and indirect tasks before accessing to the European Union have been the following:

- ⇒ searching for the ‘best practice’ (e.g. through twinning partnerships, and other forms of co-operation between the SAIs of the EU Member States and those of the CEES region, Cyprus, Malta, and Turkey);
- ⇒ auditing the implementation of the pre-accession measures such as the three financial support instruments: the PHARE Programme, ISPA and the SAPARD.

In order to form close links among these systems there was need for close co-operation between the European Court of Auditors and the SAIs of the Central and Eastern European Countries<sup>2</sup>, (and as this group was gradually widened) Cyprus, Malta, and Turkey. This co-operation started on the initiative of the European Court of Auditors in the autumn of the year 1996.

## **2. The Warsaw Protocol**

To answer the question of how the CEECs have given a proper response to these challenges we need a “scale of measurement” as to give a conceptual comparative basis. First of all, the so-called Warsaw Protocol offers itself for such a purpose.

Taking into account the need for compliance with the European financial control and audit, applicant countries have to strengthen their external audit function, and improve their quality. Bearing this in mind the Presidents of CEECs SAIs, and the European Court of Auditors, based on the Lima Declaration of Guidelines on Auditing Precepts, the INTOSAI Auditing Standards, and the European Implementing Guidelines for the INTOSAI Auditing Standards, adopted the creation of a Working Group with the objective to “define main convergence criteria required for integration of the CEECs within the European environment” in Warsaw in March 1998.

As a result, the Working Group proposed a set of 11 recommendations needed to be fulfilled for an effective SAI. By forming four chapters – the legal framework; adoption and implementation of audit standards; managing the audit institution; role of an SAI in assessment and in encouraging the development of management (internal) controls – these recommendations adopted by the Presidents in Prague on 25-26 October 1999<sup>3</sup>, are the following:

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<sup>2</sup> Under this notion, in the sense of the co-operating supreme audit institutions, the Central and Eastern European Countries included so-called candidate and applicant countries to the European Union. These countries were Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia in 2002.

<sup>3</sup> Recommendations concerning the Functioning of Supreme Audit Institutions in the Context of European Integration. Biuletyn. Najwyższa Izba Kontroli. Special Issue. December 1999. Year IV No. 2 (10).

Recommendation 1: Supreme Audit Institutions should have a solid, stable and applicable legal base that is laid down in the Constitution and the law, and is complemented by regulations, rules and procedures.

Recommendation 2: Supreme Audit Institutions should have the functional, organisational, operational and financial independence required to fulfil their tasks objectively and effectively.

Recommendation 3: Supreme Audit institutions should have powers and means that are clearly stated in the Constitution and the law to audit all public funds, resources and operations (including EU funds and resources), regardless whether they are reflected in the national budget, and regardless of who receives or manages these public funds, resources and operations.

Recommendation 4: Supreme Audit Institutions should undertake the full range of public sector external auditing, covering both regularity and performance audits.

Recommendation 5: Supreme Audit Institutions must be able to report freely and without restriction on the results of their work. Reports may be submitted to Parliament and should be made public.

Recommendation 6: Supreme Audit Institutions, recognising existing national experience, should formally adopt, promulgate and disseminate auditing policies and standards, compliant with INTOSAI Auditing Standards, European Implementing Guidelines for INTOSAI Auditing Standards and any relevant public sector auditing standards issued by IFAC and accepted for application in the EU. Auditing standards should be applied on a consistent and reliable basis to an SAI's work to ensure that audit work is of an acceptable quality and competence. The SAIs should therefore develop auditing manuals and detailed technical guides to help promote the practical use and achievement of the standards.

Recommendation 7: Supreme Audit Institutions should ensure that their human and financial resources are used in the most efficient way to secure the effective exercise of their mandate. To this end, SAI management will need to develop and institute appropriate policies and measures to help guarantee that the SAI is competently organised to deliver high-quality and effective audit work and reports.

Recommendation 8: Supreme Audit Institutions should develop their internal organisation as a supportive structure for the proper conduct of work related to the requirements of the pre-accession period.

Recommendation 9: Supreme Audit Institutions should ensure that their staff are competent, capable and committed to help guarantee that effective audit work is produced in conformity with international standards and good European practices.

Recommendation 10: Supreme Audit Institutions should develop the technical and professional proficiency of their staff through education and training.

Recommendation 11: Supreme Audit Institutions should focus on the development of high-quality, effective internal (management) control systems in audited entities.

Although, these recommendations should have been considered as orienting norms only, they proved to be an efficient instrument for promoting a gradual development of the SAIs toward “audit quality”.

### **3. Current state of affairs**

With this point the question arises: how do the SAIs meet the requirements of the Warsaw Protocol through developing action plans. The answer should be benefited from the results of a self-assessment based on a questionnaire and SIGMA<sup>4</sup> checklist, and carried out by an appointed working group in 2000 (TEST 1)<sup>5</sup>

It seems also useful to benefit from the analysis and opinion of the European Union as they are summarised in the Regular Reports in its Chapter 28: Financial Control in particular for the year 2002 (TEST “).

#### Independence (Recommendation 2)

Although this pivotal requirement for the SAI and its auditors is guaranteed by the Constitutions, in some countries there have been need for draft bills drawn up for achieving clearer legal basis and greater consistency in the last years. According to the TEST 1 another task in the area of the strengthening of independence is that of financial independence. From among the 14 candidate country SAIs seven are financially independent having the right to submit budgets to their Parliaments. Despite this, however, it appears to be an important problem that no clear guidelines exist on the relationship between the SAI and the Parliamentary Public Accounts Committee (PAC). For instance, it might be a problem if the PAC requests too many investigations/audits from the SAI which would go beyond the resources available at the time. Politicians, members of parliaments do not understand many times that the SAI must work in compliance with the accepted guidelines, rules, etc.;

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<sup>4</sup> SIGMA (Support for Improvement in Governance and Management in Central and Eastern European Countries) is a joint initiative of OECD and the European Union, principally financed by the EU’s Phare Programme. SIGMA was established in 1992 with the aims to assist beneficiary countries in their search for good governance, to help build up indigenous capacities at the central governmental level and, to support initiatives of the European Union and other donors to assist beneficiary countries in public administration reform. This latter aim includes also the field of financial control/audit.

<sup>5</sup> Report on the „Implementation of the Recommendations concerning the Functioning of Supreme Audit Institutions in the Context of European Integration” (excerpt Chapter 2 Adoption and Implementation of Audit Standards). Prepared by Andreas Kourtellis (Audit Office of the Republic of Cyprus) and Jacek Mazur (Supreme Chamber of Control, Poland), August 2000.

moreover, beyond a morally perceived set of “rules of games” there is also a limit to undertake more and more tasks without prejudice to a solid management of the SAI.

The remaining seven SAIs have to submit their budget proposals to the ministers of finance as being constitutionally responsible for the budget preparation. The weight of the problem is illustrated by the fact that six from those seven SAIs intend to modify the currently existing legislation.

The European Union (TEST 2) also pays great attention to the strengthening of independence of the SAIs. The EU takes it with satisfaction that the operational and functional independence of the SAIs and their audit scope respectively are broadly satisfactory in almost all countries. Here, a major suggestion was for Romania only, where a law was adopted in February 2002 on the organisation and functioning of the Romanian Court of Accounts providing clarification of the Court’s mandate to conduct audits relating to the privatisation of public companies and public procurement. The law contains provisions for reducing the number of members of the Court of Accounts. “The ensuing dismissal of all the members of the Court is in conflict with the principle of independence of the supreme audit institution, as established by the relevant international standards” according to the opinion.

However, the EU suggests that the financial independence needs to be further enhanced since currently the relevant budget forms part of the overall government in Cyprus. The EU has a similar suggestion for the Czech Republic.

### Clear authority for the SAI (Recommendation 3)

In line with the Lima Declaration the auditing responsibility of the SAIs extends over the entire financial management of the State. This idea appears to be particularly important in the context of EU enlargement due to the need of auditing all EU revenues (own resources) and expenditure.

According to the finding of TEST 1 eight out of the fourteen SAIs have clear authority to audit all public funds and resources, bodies and entities. However, some of the SAIs do not have the mandate to audit the central bank and the local governments. E.g. the Hungarian SAI has the right for both aforementioned audits.

Since the competency to audit EU funds is of outstanding importance (firstly due to the proper use of the assistance, secondly due to need to accommodate to the EU environment), it is promising that all the fourteen SAIs can audit EU funds and resources. Notwithstanding to that one of the SAIs has decided not to exercise this right.

TEST 2 attaches special attention to the control of the structural action expenditure and the related institution-building. In the light of its results only three countries (Cyprus, Estonia, and Malta) should be identified where both the legislation and the necessary administrative structures are generally in place.

The other candidate countries still have their difficult homework to be undertaken in order to

- enhance the capacity to manage the pre-accession funding and future structural funds, in particular through the establishment of clear public, internal financial control rules and procedures;

- reinforce and accelerate efforts leading to the extended decentralised implementation system( EDIS) before mid-2003 in order to allow EDIS accreditation to be achieved in the second semester of 2003.

#### The range of audits (Recommendation 4)

Following the INTOSAI Auditing Standards the SAI is required to carry out regularity and performance audits.

As suggested by the TEST 1 almost all SAIs carry out both types of audits. Their proportions, however, are very different:

- Four SAIs carry out regularity and performance audits.
- Two SAIs carry out a “unified audit” without differentiating the concept of regularity as well as performance audits.
- Two SAIs carry out performance audits only.
- One SAI conducts mainly performance audits, some pilot audits cover attestation of financial statements only.
- Two SAIs perform both types of audits under different names for the performance audits (“economy, efficiency, and effectiveness audit”).
- Two SAIs carry out both types of audits with a very limited scope for the performance audit.
- One SAI performs “audit of operational risks” too, besides the regularity and performance audits.

In this connection it is worthwhile mentioning that the EU (TEST 2) appreciates the Latvian State Audit Office for carrying out financial and performance audits as well as the Lithuanian SAI for the introduction of performance audits.

As regards the development of audit methodologies the TEST 1 informs us about the trend in distinguishing methods, approaches and procedures for both types of audits bearing in mind the requirements of international auditing standards. The TEST 1 also puts a stress on the importance of performing pilot audits in order to acquire new experience. They proved to be very useful for creating the audit manuals as a consequence.

In order to assist the SAIs in this region the **Audit Activities Working Group** in the auspices of the Co-operation of the Presidents of the Supreme Audit Institutions of the Central and Eastern European Countries, Cyprus, Malta, Turkey, and the European Court of Auditors achieved a remarkable development in terms of pilot audits.

This Working Group was established in 2000 with the purpose to provide opportunities for the SAIs from the candidate countries to work on specific audits with the benefit of inputs and advice from a supreme audit institutions from the European Union. The Working Group has been acting as a generating and advisory group for partnership between the SAIs.

Launching this kind of international activities seemed to be a valiant undertaking. We did not decide on carrying out parallel audits but establishing audit partnership, or co-operation between partners, one from the supreme audit institutions of the EU candidate countries, another from those of the EU Member States. This idea reminded me of the twinning partnerships, although we have not aimed at this way of cooperation.

We felt that time was urgent in the sense to achieve preliminary results, and later to accomplish this assignment.

The Audit Activities Working Group should have been guided by the following objectives according to the mandate given us:

- to identify suitable audit areas for such kind of audit activities;
- to search a natural partner from SAIs of the EU Member States or other suitably qualified source that are interested to work in this area and bring the partners together;
- to define together audit objectives, scope and duration of the audits as well as the extent and timing of inputs from the EU SAI(s), including necessary training;
- based on the experiences gained from the collaboration, to identify necessary training and development needs for input to wider assistance planning;
- to assist, if necessary, in ensuring funding for the collaboration.

We have achieved the first results, there were more striking examples of audit co-operation. These results mean that beyond the increasing number of twinning co-operations the so called audit activities have contributed significantly to the adaptation of those skills we call best practice within the European Union in cases of a good number of supreme audit institutions.

The common understanding achieved concluded to that the Working Group has a pivotal role in prompting and co-ordinating the production of synopses of the planned audits, it should not always be regarded as the only catalyst for such initiatives. Formerly several Working Group participants had direct experience of working with EU SAIs and other partners through other arrangements – for example under PHARE Twinning and SIGMA programmes and through ECA parallel audits. Bulgaria, Estonia, Hungary, Latvia and Slovenia all agreed that they had some experiences from pilot audit activities under these mechanisms.

The Audit Activities Working Group gained several key experiences. Just to mention two of them: (1) New audit approaches and methods can call for quite extensive change in the Candidate Countries in deciding on scope and style of audit as well as utilising a range of techniques that they may never have used before. Undertaking such initiatives does require vision, courage and commitment from the SAI; (2) Pilot audit activities in collaboration with a partner SAI or other organisation is a good way of exchanging experiences of different audit approaches in a practical way.

After two years activity I can relate here in a mostly unfinished goal of the Working Group in terms of **final outputs**. The first results are to ripe for discussion soon. It is worth looking back to assess the results and the lessons learnt from both sides.

The new Task Force on Audit Activities (replacing the former working group) has a special task to elaborate a Good Practice Guide in order to sum up experiences gained during pilot audits. The importance of learning from experiences was also emphasised.

## Free reporting; relations with Parliament<sup>6</sup>

It is well-known that the right of the SAIs to report freely and without restriction is an indispensable pre-condition for performing quality audits.

As it could be seen from TEST 1 all SAIs communicate with the Parliaments freely and (with one exception) with the public. The efficiency of the SAI is also basically depends on a good working relation with the Parliament, and with the appropriate parliamentary committees in particular. The parliaments and the concerned parliamentary committees focus on the review of the annual audit programs and activities mainly as well as the follow-up of the audit findings and recommendations in these stronger and stronger relations.

The SAIs co-operate mostly with the following parliamentary committees:

- those of charged with the various branches of administration and the economy;
- those of responsible for inquiring into all matters related to the public accounts (Cyprus, Malta);
- those of supervising the operations of the SAIs (Hungary, Poland, the Czech Republic);
- those of specifically responsible mainly for the SAIs' budget-related matters: the approval of the SAI's budget, etc. (Malta, Romania).

Despite the stronger relations between the SAIs and Parliaments several shortcomings and missing links should be identified in the relationship. These problems include such cases as the lack of single committee responsible for the SAI matters (Croatia), feeling necessity to create direct links between the legislative body and the SAI (Lithuania), the SAI's report are discussed to a very limited degree in the Budget Committee (Czech Republic), etc. On the basis of the weaknesses several threats should also be identified what are contemplated in view of weaknesses in existing system of relations or, they may imply negative changes in the future. We can find such examples as strong influence of the political parties as regards SAI's activity and objectives (Czech Republic), the SAI lacks support in the Parliament (Latvia), the members of the Parliament fear that SAI may interfere in making political decisions when giving its recommendations based on the results of performance audits (Estonia), etc.

However, one requirement, the regular, formalised relationship appears to have benefits for all SAIs. This is why the EU pays special attention to it. The Opinion appreciates the formal mechanisms for discussing the Polish SAI's recommendations in the Parliament, and the reporting and follow-up procedures with regard to SAI audit findings as having been put in place in Slovakia. On the other hand, no formal discharge mechanisms have been introduced in the framework of the presentation of SAI reports in the work of the legislative bodies of Cyprus, the Czech republic, Lithuania, and Romania.

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<sup>6</sup> I recommend those readers who are interested in this matter the document for official use titled Relations between Supreme Audit Institutions and Parliamentary Committees. SIGMA Papers: No. 33. CCNM/SIGMA/PUMA(2002)1. The principal contributors of this paper were Brian Vella (National Audit Office of Malta) and Jacek Mazur (Supreme Chamber of Control of Poland). The document was prepared under the Co-operation of the Presidents of the Supreme Audit Institutions of the Central and Eastern European Countries, Cyprus, Malta and the European Court of Auditors.

## Audit Manuals (Recommendation 6)

According to the recommendation the adoption and dissemination of audit manuals are one of the most important tasks of SAIs. Since the starting point for it is the strategic plan, the first step has to be the elaboration of a clear strategy. In general, there has been a lack of such strategy in most SAIs. The development is rapid in this field. For instance, the Latvian SAI's Strategic Development Plan 2000-2005 continues to be implemented, and on the basis of INTOSAI standards the SAI has developed an audit manual. In Hungary, the implementation of the SAI's second (the first was adopted in 1998) Strategy Plan for 2002-2005 was started along with the elaboration of different audit manuals based on the INTOSAI standards.

In the case of the Czech Republic the auditing procedures are governed by appropriate audit manuals are also based on INTOSAI standards and guidelines. The Opinion welcomes the acceptance of INTOSAI standards also in Slovakia and Slovenia but calls for the finalisation of the audit manuals. The same holds true for the National Government Auditing Standards in Lithuania approved by an order of the State Controller. In other countries like in Estonia, the audit manual based on INTOSAI standards is still being prepared.

In order to promote the preparation and efficient use of audit manuals a working group was established in the framework of the once quoted co-operation of the presidents. This working group organises workshops in different topics to enhance best practice and a better common understanding.

There is need for effective quality control measures in the auditing process as well. Most SAIs carry out some forms of quality control to ensure that audit standards are adhered to. Quality management, in any type of work is carried out, is today considered essential in order to ensure good product or service. There is also an initiative and a good work aiming at elaborating a guide for quality assurance in the audit work from the planning to the follow-up of the recommendations under the auspices of the co-operation of the presidents.

It is a special issue that additional financial and human resources needed for the implementation of the tasks concerning the audit manuals and quality assurance in a relatively short period of time. Additional assistance could be obtained partially through such technical projects as Phare including the twinning programmes or, through the TAIEX, SIGMA, etc. Assistance of this kind is increasingly pronounced in the activities of some SAIs.

## Internal organisation and training (Recommendations 7., 8., 9. and 10.)

The first subject-matter of concern here is the adoption of internal regulations. According to the results of TEST 1 the regulation covered the following areas in 2000:

- audit procedures (in six SAIs),
- structure of SAI (in two SAIs),
- management rights and obligations (in one SAI),
- administration and financial management (in one SAI),
- code of ethics (in one SAI),
- organisational and administrative activities (in one SAI),
- supervision and control over internal regulations (in one SAI),
- adoption of IFAC and INTOSAI auditing standards (in two SAIs).

Most of these regulations were in the area of audit procedures. Yet, even taken into account the developments in the last two years, the internal regulations are from being satisfactory.

Another remarkable domain of concern is the reorganisation of the SAIs aimed at meeting the requirements of monitoring the application of *acquis communautaire*, and considering the audit of the use of EU funds. Following the Opinion (TEST 2) with regard to the control of structural action expenditure, substantial efforts need to be made in order to enhance the administrative capacities in Bulgaria, the Czech Republic, Hungary, Poland, Latvia, Lithuania, Romania, Slovakia, and Slovenia. Although, this task is closely linked with the organisational modernisation of SAIs.

As regards the recruitment of personnel and training – beyond the general training requirements – it is a new important, additional task to train their staff on EU matters and requirements relating to the audits of pre-accession and structural funds. In this connection the results of TEST 1 showed that training on 15 EU Guidelines was received by six SAIs. Five SAIs have elaborated training strategy by the end of 2000, however, two others reported theirs under preparation. Five SAIs had no training strategy but one SAI has been anticipated to work out a strategy of this sort, two other SAIs had annual training plans or programmes. Half of the SAIs concerned had designated training unit, six SAIs reported no answers.

#### **4. Conclusion**

The SAIs of the Central and Eastern European Region, including here Cyprus and Malta, have achieved a remarkable progress on the development of their external audit function. They have benefited considerably from their independent status, they have build up, or they are building up a modern, well-functioning audit institutions. The co-operation with the European Court of Auditors, and again through this channel with many of the SAIs of the EU Member States, and SIGMA contributed to their progress. The traditional bilateral relations between SAIs were well topped by the twinning instrument, introduced by the European Commission through Phare Programme in 1998. We cannot leave undisputed that some other SAIs outside the European Union offered a tremendous assistance to this region, let me only mention the U.S. General Accounting Office whose International Auditor Fellowship Program have made possible to many auditors to become better trained.

I am convinced that this historical undertaking, the rapid development of most of the SAIs in the region is unprecedented in the sense how the individual SAIs could multiply their efforts with the strong co-operation with their traditional and new partners, and moreover, by the common efforts offered by the unified basic goals. These SAIs are on the way to become advanced, the present overall situation shows a good and constantly improving situation in the scope of audits, the report writing procedures and many more, last but not least the awareness to meet the requirements of EU accession since these countries all want to become a member of the European Union.

These SAIs still have naturally a good deal of priorities. I want to give only a bunch of them without the aim at completeness: pre-accession EU fund auditing, anti-fraud arrangements, procurement audits, broadening the range of audit types, quality assurance in the audit process, better adherence to the internationally accepted auditing standards, etc. all need to be

further strengthened. Naturally the stresses and the needs are put not equivocally on the some place, there is no uniform requirements.

The majority of the Central and Eastern European Countries, Cyprus, and Malta are on the eve of the accession to the European Union. Therefore, it is suitable and righteous that we would mention some words about the European Court of Auditors. It is not being directly involved in the negotiation process, notwithstanding to that it has offered a tremendous assistance through its networking activities with EU national SAIs. The earlier mentioned 11 recommendations adopted by the Presidents were quite obvious for the European Commission to apply them as benchmarks for the quality of external control pursued in the applicant countries. This circumstance shows us in a pregnant way how the desire, goals, recommendations, and accomplishments made up a complex building in the process of the preparation to the EU membership. It is an imperishable merit we owe to the European Court of Auditors that we could set the goals through its help, and we could attain our ones.

These SAIs have very different backgrounds, however, we can easily understand each other. I regard the past twelve years as also a process of the mutual understanding as well as a co-operation which will serve well also within the European Union. These SAIs can co-operate with each others on good terms as many examples show it. For those who know profoundly the history of the Central and Eastern European region, this whole complexity in this branch of activities is almost a wonder.

Budapest, March, 2003