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The role of Supreme Audit Institutions in fight against the consequences of financial and economic crisis

A theoretical approach

Sándor Nagy

There is a significant pressure on Supreme Audit Institutions in Europe: shrinking available resources and growing expectations from its stakeholders (citizens, civil organizations, investors, governments etc.). In consequence of the financial and economic crisis and the unpredictable shocks, imbalances there is a relevant need for good governance and effective spending of public money. The Supreme Audit Institution (SAI) – as independent external auditor of the budget – is intended to reach appropriate level of audit impact by using its inputs. This impact may result lower governmental expenditures, effectiver public finance management, increasing trust, transparency and accountability. Responding to the constantly changing circumstances the SAI should use and activate non-conventional resources such as knowledge and social capital to be more adaptive, effective and to achieve its strategic goals.

Keywords: financial and economic crisis, cooperation, Supreme Audit Institutions, ECA, INTOSAI

1. Introduction

The global financial and economic crisis and its intensifying aftershocks are still hitting the EU's economy clouding the long-term outlooks. It has been the most pervasive and deepest turmoil after the Second World War and the process of recovery seems to be long-lasting, risky and fragile. The widespread downturn (solvency and later systemic crisis) - which can be dated from the Lehman-Broder's bankruptcy (September, 2008) caused basically by the huge delinquency rates and subprime writedowns induced by the burst of the U.S. housing bubble - penetrated into the global financial channels reaching firstly the U.K. then the rest of the European Union. The money, the capital and the interbank markets had been paralyzed because bankers ignored to lend credit even to each other. In consequence of the triggering circumstances the Member States had to face squeezing credit conditions, sharp output contraction, decreasing business investments and capacity utilization, ailing exchange markets, share prices, rising unemployment, lacking resources on innovation and R&D activities, falling house prices, melting household wealth, slumping consumer and investor confidence and trust or even the nightmare of an accelerating economic downward spiral, which the social burden of ageing could further stimulate. So the governments, the European Union's decision makers, the European Central Bank in cooperation with the national issue banks had to take significant, efficient, timely and prompt policy responses to react on the worsening problems. Central banks launched stimulus monetary actions and shortly after that - in accordance with the monetary packages - governments intervened to support banks affected by the stress and to boost the real economy. The wide range of stimulus packages were primarily based on the pillars and principle of the European Economy Recovery Plan (EERP) reaching a total sum of ca. 2% of EU-27 GDP – of which two-thirds were implemented in 2009 and the remainder in 2010 (EC, 2008; EC, 2009a, p. 14; Jackson, 2009). These public spending and new governmental commitments fell in the audit scope of the national Supreme Audit Institutions (SAIs) which are responsible for the external, independent auditing of the state budget and the executive actions. The changing financial-economic background has been posing new challenges for the SAIs too. In the next sections I demonstrate the functions of the external auditor institutions related to the crisis (INTOSAI, 2009a).

2. General Auditing Functions and Features (GAFF) of a SAI and the expedient, necessary auditing activities during the crisis

The supreme audit institutions (SAIs) have the mandate on national level to conduct external audits to serve the taxpayers' and citizens' claim for rational, efficient, effective, legal spending of public money. These organizations predominantly characterized by independence, professionalism, probity but often with different mandates and access rights. Through audit activities and extension of SAI's functions the financial accountability, the good governance, the proper management of public funds could be enforced and in the same time the confidence towards budgetary organizations can be maintained or restored. For successful operation, and to generate added value of its reports there are several factors must be considered: adequate funding, facilities, compatible staff and other professional capacities, the adoption of international standards (e.g. ISSAI standards), supportive environment, cooperation, knowledge sharing with other SAIs and specialized organizations (World Bank, 2001; INTOSAI, 2009b). In case of effective function the government expenditures, the general level of corruption can decrease, while the perceived government effectiveness, the competitive pressure on executive bodies and the general productivity of resources could grow (Blume and Voigt, 2010; Kovács, 2010). The SAIs generally have the following types of audits to apply (*auditing mandate*):

- *regularity audit, financial statements audit or financial audit* (ISSAI 100 – 39): the SAI assesses the legality and accuracy of the financial statements, operations of government bodies and the related financial accountings.
- *performance audit or value-for-money audit* (ISSAI 100 – 41): it covers the evaluation of usage of public money considering the economy, efficiency and effectiveness criteria; the auditor examines whether the taxpayers have received value for public money.
- *comprehensive audit* (ISSAI 100 – 43.): it exceeds the limitations of the regulatory audits by focusing on the internal management and regulatory system including the control mechanism (ÁSZ 2008, p. 174; INTOSAI, 2001).

Accepting the taxonomy of the National Audit Office of Finland (*Valtiontalouden tarkastusvirasto*) the management of the crisis can be divided into five different stages. In the next sections I draw up the characteristics of responses and possible tasks of the auditor referring to the Subgroup 2a¹ report (National Audit Office of Finland, 2011). The categorization of this document is very similar to the European Commission's study² (EC, 2009a) but this one is focusing rather on (auditing) professional aspects. The basic presupposition of the Subgroup's work is that the existence and well-functioning of a certain regulatory system is essential to avoid future crises or at least reduce the probability of the emergence. The financial regulatory system consists of Central Banks, Government institutions and other special regulatory institutions whose activities could shape and adjust the rules.

I. Preparedness: this is the status or condition of the regulatory system before the turmoil starts. The main desirable nature of the regulation is the preparation, the maintenance of appropriate level of risk observation, risk assessment and management of the hazard. Here must set out the pillars, foundations of the government actions for the following phases.

¹ Member SAIs of the INTOSAI Task Force Global Financial Crisis Subgroup 2a: Finland (chair) – Valtiontalouden tarkastusvirasto, Austria – Rechnungshof, Estonia – Riigikontroll, Netherlands – Algemene Rekenkamer, United Kingdom – National Audit Office, United States of America – Government Accountability Office and Denmark (observer) – Rigsrevisionen

² Stages in the EC's study: crisis prevention, crisis control and mitigation, crisis resolution

The crisis-related auditing functions and features (CRAFF) of an individual SAI related to the preparedness (National Audit Office of Finland, 2011):

- The mandate of the SAI is determinant in the impact of its work. Only 70% of the EU Member State SAIs have mandate to audit the governments' rescue packages (Caldeira, 2009)
- The main objective for a certain SAI is to help creating and operating a flexible and resilient regulatory system.
- SAI should have a continuously improved watch dog function on public spending ensuring the fulfillment of the legality, the compliance and the good governance aspects
- The SAI could have a role in auditing (predominantly with comprehensive audits) and giving recommendations to the existence, operation and the adequacy of the control and risk management systems are in place.
- conducting mainly performance audits on the regulatory system
- assuring the quality and reliability of the most relevant financial information
- learning, collecting information, extending knowledge base about the financial markets, actors and the regulatory system
- the SAI should follow and oversee the development of the whole system
- cooperation with other SAIs and institutions to have a proper level of general knowledge which should be extended in case of crises

II. Immediate response: this phase covers the Central Bank's monetary and the government's financial and fiscal actions to limit the extent of the crisis and prevent the financial system from collapsing. For effective interventions it is essential the broad and deep understanding of the unfolding situation, the characteristics and the extent of the remedial actions should be done. This requires an already existing framework for the possible actions which encompassing overall objectives, relevant actors, availability of accurate, reliable information, clear roles and responsibilities and well-designed coordination and reporting mechanisms. In order to get a more accurate picture about the interventions the next table summarizes the main elements of the actions.

Table 1: The main actions put into effect by Central Banks and Governments in the EU

Institutions and the type of actions	Interventions
Central Banks and the European Central Bank (ECB)	<ul style="list-style-type: none"> - cutting back the interest rates - injections of liquidity in cooperation with the European System of Central Banks (ESCB) - introduction of asset swap schemes - outright purchases of securities - lengthening the maturity of loans granted - widening the range of eligible collateral - broadening the group of counterparties - giving financial institutions access to virtually unlimited lender-of-last-resort facilities
Government actions	<ul style="list-style-type: none"> - giving guarantees to bank depositors and creditors - recapitalization of financial sector - asset purchases - insurance schemes to protect banks from toxic assets - providing credit possibilities to non-financial institutions - structuring bail-out programs
Governmental fiscal stimulus measures	<ul style="list-style-type: none"> - investment subsidy - government investments - government consumption - reduction in consumption tax - government transfers - cutting back labour tax and corporate profit tax
Real-economy boosting by the governments – Labour market	<ul style="list-style-type: none"> - encouraging flexible working time - cutting labour costs to support employment - retraining and activation - supporting households' purchasing power - maintaining, reinforcing social protection - mitigation the impact of financial crisis on individuals
Real-economy boosting by the governments – Investments	<ul style="list-style-type: none"> - increasing energy efficiency - building physical infrastructure - supporting Research and Development activities - promoting innovation
Real-economy boosting by the governments – Business support	<ul style="list-style-type: none"> - sectoral supports - easing access to finance

Source: own edited on the basis of EC (2009a, 2009b), IMF (2009) and the National Audit Office of Finland (2011)

If interventions are realized they have direct or indirect impacts on state budget and finally on taxpayers' interest and expectations. Excessive supports often imply increasing financial burdens on citizens. It is commonly accepted, that expenditure of public money on stimulus measures is only justified or eligible when systemic risks emerge. The systemic risk arises from the interconnections, links and interdependencies among the members/elements of the whole financial system, so the contagion (e.g. solvency problems, toxic assets, distrust etc.) could spread over the network of the financial markets threatening the stable function of several institutions and could have undesired effects on the real economy (Dijkman, 2010; National Audit Office of Finland, 2011). Without sound and considerable knowledge which is able to scan the processes on network-theory bases, it would be

very difficult to assess the significance of the systemic risk or any kind of jeopardy. The above listed interventions posed a huge burden on the public sector. To perceive the extent of the spending the next tables illustrate the weights of the actions.

Table 2: Public interventions in favour of the banking sector in some EU Member State (% of GDP) - Extract from the original source.

EU Member State	Capital injections (effective)	Guarantees on bank liabilities (granted)	Relief of impaired assets (effective)	Liquidity and bank funding support (effective)	Total
Austria	1,7	5,1	0,4	1,5	8,7
Belgium	5,7	16,3	5,0	NR	35,3
France	0,8	3,1	0,3	-	4,2
Germany	1,6	7,3	0,4	NR	6,3
Greece	-	0,4	-	1,7	2,1
Hungary	0,1	-	-	-	0,1
Netherlands	7,9	5,7	4,9	5,8	24,3
Sweden	0,2	8,8	-	-	9,0
United Kingdom	2,6	9,5	-	18,7	30,8
Euro area	1,4	8,3	0,7	0,7	11,1
European Union	0,5	7,8	0,5	3,0	11,8
NR: Not Reported					

Source: EC (2009a, p. 63)

The second table enumerates only effective costs of the public interventions to the banking sector but the approved ceiling of the expendable sources (upper limit of the intervention) were higher. The next table indicates figures about the burdens of some discretionary stimulus actions in the same countries listed above.

Table 3: Policy responses to the economic crisis in some EU Member States (% of GDP) – Extract from the original source.

EU Member State	Discretionary stimulus (aggregate over 2009-10 - % of GDP)				Overall
	Measures aimed at households	Increased spending on labour market	Measures aimed at businesses	Increased investment expenditure	
Austria	2,6	0,2	0,2	0,5	3,5
Belgium	0,9	0,5	0,1	0,3	1,8
France	0,2	0,1	0,4	0,3	1,0
Germany	1,5	0,5	0,8	0,9	3,6
Greece	0,3	0,0	0,0	0,0	0,3
Hungary	0,0	0,0	0,0	NA	0,0
Netherlands	0,4	0,2	0,5	0,5	1,6
Sweden	0,4	1,8	0,4	0,6	3,2
United Kingdom	1,7	0,3	0,4	0,2	2,6
NA: Not Available					

Source: EC (2009b, p. 16)

The crisis-related auditing functions and features (CRAFF) of an individual SAI related to the immediate response (INTOSAI, 2010a, b; National Audit Office of Finland, 2011):

- the main objective is to monitor and conduct audits on responses to the financial turmoil
- it should build immediately deployable capacities (human and technical)

- cooperation with national SAIs and other oversight institutions (INTOSAI, EUROSAI, IFAC – International Federation of Accountants, IMF etc.)
- setting up multidisciplinary teams in accordance with the audit challenges the SAI must face
- recurring performance audits on the financial regulatory system
- SAI should optimize its financial resources focusing on the immediate policy responses
- government should increase the budget of the SAI reflecting on the crisis-related auditing functions but it has to maintain the independence
- SAI should activate conventional and non-conventional resources to meet the additional expectations of citizens
- supporting decision makers
- SAI should harmonize the overlapping audit tasks with internal auditors
- delivering directed, relevant and timely information, audit reports and opinions (transformational function)
- usage of modern media channels to distribute information (e.g. official website dealing with the immediate responses)
- to ensure the integrity, transparency and the „same quality” of data stemmed from several sources
- to avoid confusion and unprovoked, superfluous fears

III. Management of the crisis: This phase can be described by insolvencies, bankruptcies, melting capital stocks and the sustained economic depression. To demonstrate the freezing of the economy the following table draws up some characteristics of the negative trends.

Table 4: Economic indicators reflecting the impact of the financial crisis in EU-27

EU Member State	GDP growth 2009	Fall in industry production index (2009.II./2008. II.)	Change in unemployment rate (from 2008 to 2010)	Private consumption growth (2009-2008)	Budget balance 2010- Budget balance 2008	Government debt ratio 2010
Austria	-4,00	-14,60	3,30	-0,80	-4,90	75,20
Belgium	-3,50	-19,00	3,30	-1,70	-4,90	100,90
Bulgaria	-1,60	-17,40	2,20	-5,10	-1,80	17,30
Cyprus	0,30	-5,10	2,20	-6,00	-3,50	47,90
Czech Republic	-2,70	-20,30	3,00	-2,70	-3,40	37,9
Denmark	-3,30	-11,83	3,30	-1,50	-7,50	33,70
Estonia	-10,30	-30,22	8,60	-5,20	-0,90	7,80
Finland	-4,70	-19,91	2,90	-3,40	-7,10	45,70
France	-3,00	-19,26	2,90	-1,20	-3,60	86,00
Germany	-5,40	-20,58	3,10	-0,40	-5,80	78,70
Greece	-0,90	-4,9	2,00	-1,80	-0,70	108,00
Hungary	-6,30	-25,45	3,40	-5,90	-0,50	82,30
Ireland	-9,00	NA	9,70	-7,10	-8,50	79,70
Italy	-4,40	-20,71	2,60	-0,80	-2,10	116,10
Latvia	-13,10	-24,16	8,50	-11,00	-9,60	50,10
Lithuania	-11,00	-12,36	10,10	-22,20	-4,80	31,90
Luxembourg	-3,00	NA	2,10	-0,60	-5,40	16,40
Malta	-0,90	NA	1,70	-3,30	1,50	68,90
Netherlands	-3,50	-5,9	3,40	-1,80	-7,10	63,10
Poland	-1,40	-12,36	5,00	-4,70	-3,40	59,70

EU Member State	GDP growth 2009	Fall in industry production index (2009.II./2008. II.)	Change in unemployment rate (from 2008 to 2010)	Private consumption growth (2009-2008)	Budget balance 2010-Budget balance 2008	Government debt ratio 2010
Portugal	-3,70	-15,59	2,10	-2,90	-4,10	81,50
Romania	-4,00	-13,9	1,90	-12,80	-0,2	22,70
Slovak Republic	-2,60	-27,4	2,60	-5,60	-3,20	36,30
Slovenia	-3,40	-21,20	3,00	-2,60	-5,60	34,90
Spain	-3,20	-22,00	9,20	-3,20	-6,00	62,30
Sweden	-4,00	-20,28	4,20	-2,80	-6,40	47,20
United Kingdom	-3,80	-13,90	3,80	-4,80	-8,30	81,70
NA=Not Available						

Source: EC (2009b, p. 13)

In this section the clearly defined goals and responsibilities for different actors strengthen the accountability. For any kind of regulatory institution it is indispensable to be flexible and adaptive because of the specificity of the current downturn and the unpredictability of future crises. The governmental and monetary steps taken in the previous phase - to fight against systemic crisis - and their aftershocks here start to exert the harmful effects supplemented by the retracting forces of the extreme slowdown. These adverse effects are – for example – the distorted market conditions, growing public liabilities and financial commitments, worsening financial positions, higher inflation rate. The most important tasks the executive bodies have to face (National Audit Office of Finland, 2011):

- management of special risks related to the new financial commitments
- understanding and protection of the taxpayers' interests
- keeping in mind the criteria of “*good governance*”: consensus oriented activities, participation, cooperation, effective and efficient use of public money, responsive operation, accountability, transparency, equitable and inclusive regulations, following the rules of law (Kovács, 2010, p. 43)
- preparation on the next stage (exit strategies) when the government remove and extract the invested resources

In order to react on the described situation the crisis-related auditing functions and features (CRAFF) of a SAI are the following (National Audit Office of Finland, 2011):

- supporting the flexibility and adaptability of government institutions
- clear objective settings for the SAI as well
- auditing of the valuation and reporting of assets and liabilities held by the public
- conducting performance audits on how the government institutions manage the new financial commitments
- reporting to taxpayers about the negative and positive effects of the stimulus packages
- maintaining trust, confidence and thereby strengthening social capital

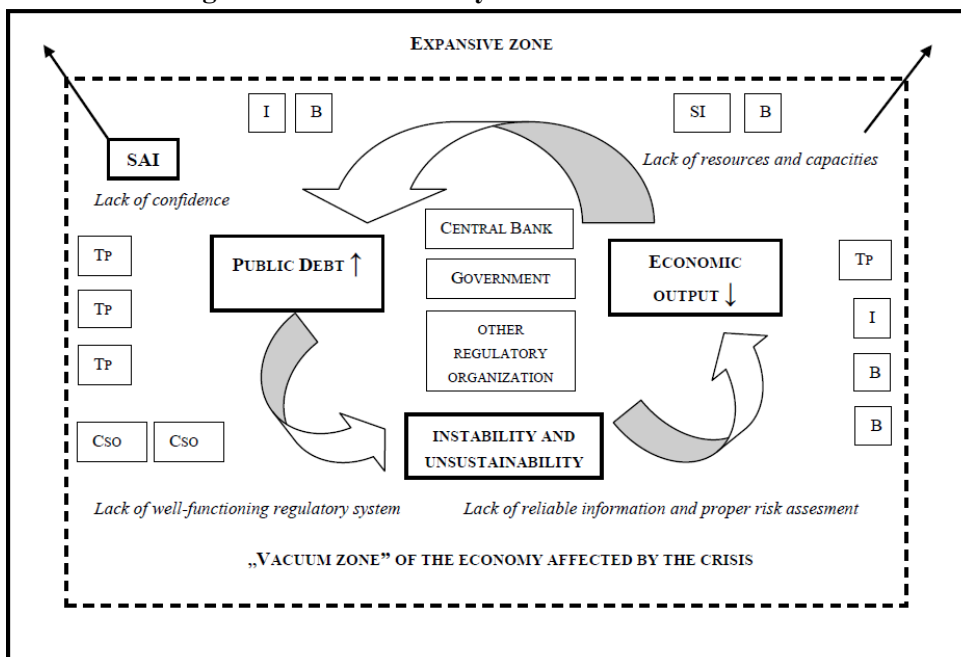
The causes and the harmful consequences of the crisis generate a “vacuum zone” in the economy, which can be characterized by the shortage on important factors (e.g. confidence, resources, capacities, clear information, proper risk management or well-functioning of the regulatory system) which are essential for recovering and to achieve the “expansive zone” where the GDP could grow again. The

main anomalies – hindering the prosperity – crystallizing around three pillars: falling economic performance, increasing public debt, instability and unsustainability. Among these pillars there are strong interdependencies, cohesion creating subversive, devastating synergies. According to the referenced studies and reports several triggering circumstances can be distinguished leading to the development of the main problems (Dijkman, 2010; EC, 2009a,b; Eurostat, 2011a,b; Larsson, 2011; National Audit Office of Finland, 2011; Riksrrevisionen, 2010).

1. *Sharp reduction in the EU's GDP*: lower purchasing power of the resident actors; export markets' slowdown; loss of relative positions of competitiveness; innovation may be hampered, impeded because it is easy to cut back in case of recessions; decreasing stock of equipment and infrastructure and become obsolete due to lower investment; reducing confidence of investors; dropping FDI inflows; unemployment and its side effects.
2. *Public debt growth induced by*: fiscal stimulus costs too much; increasing social costs (ageing problem); falling of tax revenues; expensive costs of the external indebtedness due to unfavourable exchange rate trends; worsening credit ratings (Moody's, S&P, Fitch Ratings); inefficient use of public resources.
3. *Financial instability and the lack of sustainability*: contagion effects; increasing global imbalances, capital concentrations; liquidity, solvency and systemic risks; lack of proper risk assessment; risks of financial management; malfunction of the regulatory system; not efficient allocation of financial resources; high and unstable inflation; imbalances in real economy, overvalued assets; lack of trust, confidence; increasing fiscal deficit, public debt and implicit liabilities (e.g. pension system).

The patterns of the vacuum zone which were wove by millions of connections affecting almost all participants in the real economy and on financial markets. The break through mechanisms that result the leaving of the vicious cycle of the financial crisis behind can be supported by the functions of the independent SAI activating all potential resources and possibilities it could have (see Figure 1).

Figure 1: The “vicious cycle” of the financial crisis



TP=Taxpayer; I=Investor; CSO=Civil Society Organization, B=Business organization; SI=Special institution

Source: own edited on the basis of the referenced publications

When the economy starts to find the path back on the expansion and the tempers calm down, the decision makers could take one step forward.

IV. Exit strategies: It refers to the gradual, phasing abolition of the policy measures where the timely exit could save public money. Certain interventions run out automatically (guarantees on new liabilities, guarantees on existing assets) and the rest induce further actions (e.g. recapitalization, asset purchase). Central Banks have to use the method of the gradual withdrawal as well affecting the monetary stimulus paying relevant attention on the international harmonization among National Banks.

The crisis-related auditing functions and features (CRAFF) of an individual SAI related to the exit strategies (National Audit Office of Finland, 2011):

- SAI should assess the risks to citizens about the exit strategies
- new audit task is the evaluation of the selling of public-owned assets
- the auditing mechanism on exit strategies requires performance reports and special skills
- to deliver experiences/lessons to public bodies
- preparation for the future challenges

V. New order: According to the Subgroup 2a report the crisis revealed many weak points, failures in the regulatory system. After analyzing the experiences a “New order” must be created which would be able to minimize the future risks of a possible financial storm. The main problems – which the INTOSAI Task Force Subgroup highlighted, emphasized – were the following:

1. The crisis emerged from the real economy and the anomalies were exponentially escalated by the false, incorrect risk assessment, misinterpretation of the hazard of derivatives (Collateralized Debt Obligations, Asset Backed Securities etc.) and the failures of the regulatory system.
2. exclusion of social costs, burdens of the depression by the financial institutions
3. not enough knowledge and information about the connectedness of different actors and organization
4. imbalance between safety, resilience, stability and efficiency, innovation, self-interest, profit hunting (National Audit Office of Finland, 2011)

The crisis-related auditing functions and features (CRAFF) of an individual SAI connecting to the new order is very similar to the preparedness phase (see above).

3. Cooperation among SAIs

Although the supreme audit institutions have wide range of relations covering the largest proportion of the economy, thereafter I focus merely on the EU-level professional connections, on the European Court of Auditors (ECA) and the International Organization of Supreme Audit Institutions (INTOSAI) and I shortly summarize only the frameworks of the liaisons. The cooperation (the joint working) is an excellent basis for knowledge creation, knowledge sharing and the flow of the best practices, trustworthy information in the community of the external auditors. As a result of the cooperation the SAIs could use its resources more effectively and finally increase the short-term effects and long-term impacts of its auditing functions.

The European Court of Auditors (ECA) – the external audit institution of the European Union – perceiving the importance and the latent opportunities of the utilization of non-conventional resources like knowledge or the social capital constantly strive to enhance to build up closer, more efficient connections with similar institutions. Under the notion of social capital I interpret the positive externalities, advantageous synergies which arise from the formal and informal structures of collaboration, the mutual trust and professional recognition within the SAI commune supplemented permanently or occasionally by other organizations. The ECA pays special attention to SAIs from the EU Member States, the candidate and the possible candidate countries (official web page of the ECA³). I distinguish here two types of collaboration: (1) *Regulated audit cooperation*: – regarding the revenues and expenditures of the Community especially the drawdown of EU funds – where the Member State SAI shall to cooperate with the European Court of Auditors in accordance with the Article 287 of the Treaty on the Functioning of the European Union (European Union, 2008). The flow of information and experiences under the aegis of this type of cooperation enable the national external auditors to improve the quality of their operation/auditing work, methodologies and to achieve high-level implementation of the international audit standards (e.g. ISSAI). (2) *Voluntary cooperation*: where the participants recognize the gains of the mutual advantages and try to find different links, possibilities to work together and share special learnings with each other on voluntary basis. The liaisons between the ECA and other SAIs basically takes place within the frameworks of the “Contact Committee of the Supreme Audit Institutions of the European Union⁴” or parallel with this the ECA tries to help facilitating the integration processes of candidate states. The Contact Committee (CC) consists of the presidents of the SAIs including the ECA, the Committee of Liaison Officers and Working Groups dealing with well-defined audit topics. In fact the Contact Committee is an autonomous, independent and non-political framework fostering the exchange of professional knowledge and experiences on the audit activities focusing on the EU-budget and other EU-related issues. The CC held its first meeting in 1960, so the ECA which was established in 1977 could not be among the founders, it joined in 1978. The Committee provides a professional platform to improve the frameworks, conditions for cooperation among national SAIs and the ECA as well as to increase the impacts of audit reports concerning EU public resources. The CC provides several frameworks to reach its strategic goals: meetings⁵, workshops, task forces, working and expert groups (some examples are: Working Group on National SAI Reports on EU Financial Management, Working Group on Structural Funds III, Working Group on Activities on Value Added Tax, Expert Group on Audit Quality) (Contact Committee, 2007)

The International Organization of Supreme Audit Institutions (INTOSAI) is a professional organization providing an institutionalized forum for the SAIs from around the world to promote development and knowledge transfer, to discuss specific issues of mutual interest, to increase the added-value of the audits, to disseminate the latest developments in auditing and other applicable professional standards and best practices. It was founded in 1953 and it has 189 full members (including the ECA) and four associate members⁶. INTOSAI recognizes that its strength lies in cooperation, experiences, special capacities and knowledge deriving from the cultural, social, economic and governmental diversity of its global membership. The INTOSAI's motto reflects this creed: “*Mutual Experience Benefits All – Experientia Mutua Omnibus Prodest (lat.)*”(INTOSAI, 2007;

³ European Court of Auditors homepage: http://eca.europa.eu/portal/page/portal/eca_main_pages/home

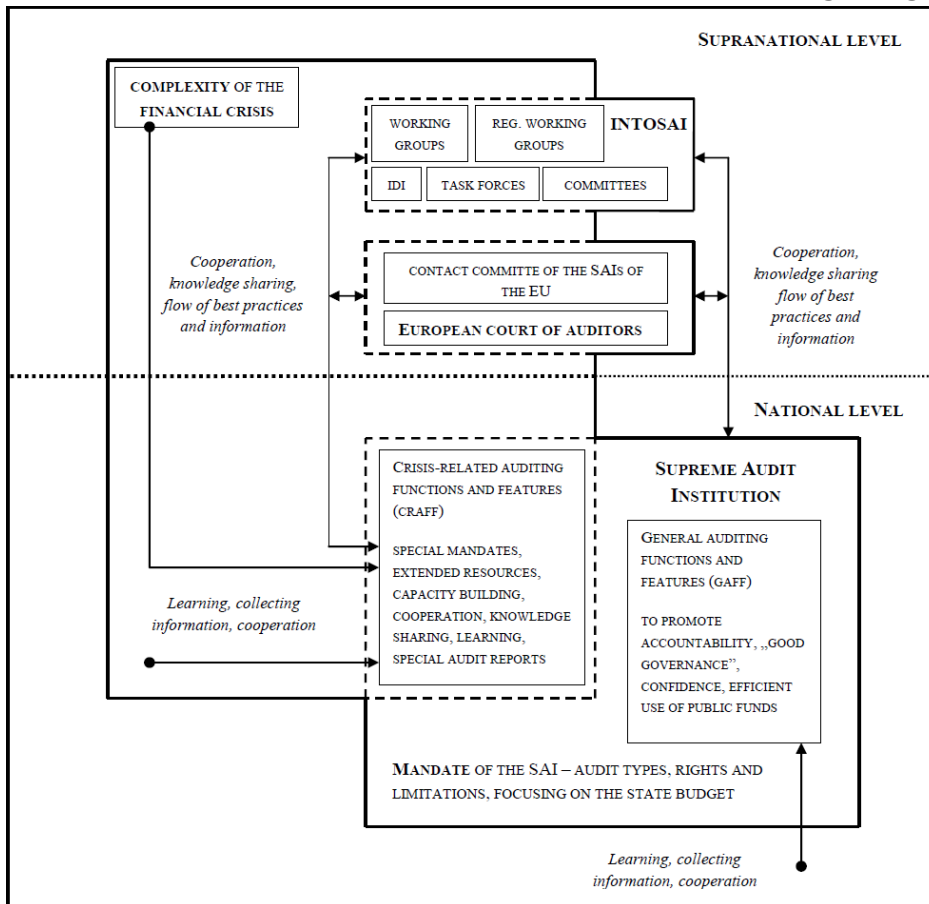
⁴ Contact Committee official homepage: http://circa.europa.eu/irc/eca/sai/info/data/cc_website/cc/index_en.htm

⁵ The members of the Contact Committee meet once a year while the liaison officers of the European SAIs and the ECA meet twice

⁶ Associate members of the INTOSAI: Association des Institutions Supérieures de Contrôle Ayant en Commun l'usage du français (AISCCUF), Organization of SAIs of Portuguese Speaking Countries (CPLP), The Institute of Internal Auditors (IIA), World Bank

INTOSAI, 2010c). The INTOSAI has formed several frameworks for collaboration: regional working groups, working groups, committees, task forces and the INTOSAI Development Initiative (IDI) with special missions responding, reacting to global risks, conditions and with the mission to maximize the efficiency of individual SAIs. Regional Working Groups⁷ allow the members to cooperate on regional level. Working Groups deal with specific technical issues in order to meet the member SAIs' expectations. The Committees are entitled to deal with issues of relevant, recurring interest to all member organizations. Task forces operate only for a defined period of time and they will be dissolved when they finish their special tasks. Finally the INTOSAI Development Initiative is responsible for the audit capacity building in which the auditors take part in training programmes, seminars, workshops, regional satellite and partnership programmes in problematic areas of public auditing (INTOSAI homepage: www.intosai.org). To respond to the new challenges of the financial crisis the INTOSAI has one working group and one task force in house focusing directly on the causes, consequences and the solutions of the extreme turmoil: Working Group on Public Debt and Task Force Global Financial Crisis. The spatial structure of the cooperative mechanisms is depicted in Figure 2.

Figure 2: Connections of the national SAI with other external auditors regarding the crisis



Source: own edited on the basis of referenced publications

It should be noted, that neither the INTOSAI, nor the ECA does not have supremacy over the member countries and the national SAIs, only horizontal relations can be observed. In the figure the arrows

⁷ INTOSAI has 7 Regional Working Groups: Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS), African Organization of Supreme Audit Institutions (AFROSAI), Arab Organization of Supreme Audit Institutions (ARABOSAI), Asian Organization of Supreme Audit Institutions (ASOSAI), Pacific Association of Supreme Audit Institutions (PASAI), Caribbean Organization of Supreme Audit Institutions (CAROSAI) and European Organization of Supreme Audit Institutions (EUROSAI)

which pointing in only one direction towards the national SAI indicate that the maintenance of substantive connections with actors and organizations – with the ability to provoke changes in the socio-economic environment – regardless of whether they are in the audit scope, affected by the crisis or not.

4. Concluding remarks

As it was discussed above both the general auditing functions and features (GAFF) and the crisis-related auditing functions and features (CRAFF) require flexibility, special capacities and the utilization of conventional and non-conventional resources. If the SAIs manage to mobilize all kinds of resorts (inputs) and optimize their budget in accordance with the new challenges then they could contribute to the successful governmental crisis-management moreover to the prevention of such anomalies. The establishment of a free access online platform containing databases, audit reports and their follow-up about the GAFF and the CRAFF of a certain SAI could increase the impact of the auditing work, the confidence, transparency and the respect of the SAI. In fact there are some existing electronic web pages dealing with recovery plans or the performance of external auditing (e.g. about the American Recovery and Reinvestment Act – <http://www.recovery.gov/Pages/default.aspx> or the INTOSAI IDI online database with restricted access to the public: SAI Capacity Development Database <http://www.saidevelopment.org/default.aspx>) (National Audit Office of Finland, 2011) but they are not concerning about the full complexity of the crisis. The new database should be set up in order to:

- make transparent the everyday operation and resources of a certain SAI
- facilitate the cooperation and the knowledge between SAIs and other actors of the economy
- build or increase citizens' trust and respect towards the auditing community
- grant easy access and availability of the selected (not confidential) data and information which could inveigle academic researchers to analyze the SAIs functions, impacts, relations and embeddedness in the processes of the socio-economic background
- make it possible for SAIs to evaluate the work or reactions of an another SAI on professional basis (“online peer-review”)
- increase publicity and in consequence the value-added of audit reports on specific issues
- foster information flow between SAI and taxpayers

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