

Finanzdelegation

Délégation des finances

Delegazione delle finanze

Joint Committee on Finance



100 ans

Eidgenössische Finanzkontrolle

Contrôle fédéral des finances

Controllo federale delle finanze

Swiss Federal Audit Office



125 Jahre

**Address given by Mr Doctor Franz Fiedler, President of the Austrian Audit Authority and Secretary General of the International Organisation of Supreme Audit Institutions (INTOSAI)**

As Secretary General of the International Organisation of Supreme Audit Institutions (INTOSAI) and President of the Austrian Audit Authority, I would like to thank you for inviting me to the anniversary celebrations of the Swiss Federal Audit Office. It is my pleasure to pass on the greetings and best wishes of both the organisations I represent on the occasion of the centenary of the Finance Delegation of the Federal Councils and the 125th anniversary of the Federal Audit Office. At the same time, I look upon this invitation as a declaration by the Federal Audit Office both of their international commitment and of their neighbourly relationship with the Austrian Audit Authority. For my own part, I would like to express my sincere thanks to the Federal Audit Office and its Director, Mr Kurt Grüter, for the excellent manner in which our two audit authorities have worked together. I am convinced that our exemplary cooperation has been and still is beneficial both to the Federal Audit Office and the Austrian Audit Authority, and I am optimistic that it will be maintained, cultivated and intensified in the future.

When the forerunner of the Federal Audit Office was established in 1877, government auditing was generally of relatively modest importance. Quite apart from the fact that by no means every country had any mechanisms for government auditing, the status and security of such controls in the national legal system was often very weak; likewise, the audit powers granted to such authorities were limited. At that time, the field of activity for public audit institutions was mainly limited to the national administration, pure and simple. The objectives of the audit were normally restricted to the confirmation/inspection of accounting accuracy and of compliance with the legal provisions on the management of public funds. Of no little significance, certainly, to these restrictions was the prevailing view of the role of the state, which tended to act cautiously, concentrating essentially on the preservation of internal and external security, thus going down in history not without good reason as the “night watchman state”.

In the 125 years since the foundation of the Federal Audit Office, the role of the state has seen a decisive change to that of the welfare state. The multitude of public duties this has entailed has inevitably been linked to an expansion in public administrative authorities as well as an increase in the number of civil servants and, logically, in public expenditure and the public budget. All these circumstances could not have failed to have an effect on the public audit

office, and led gradually, but at a pace that varied from country to country, to an expansion of the audit duties of the audit authorities.

No less significant in the development of government auditing was the fact that at the same time as this expansion of the duties of the state was taking place, moves everywhere towards greater democracy were meeting with increasing success. Although the democratisation process in the 20<sup>th</sup> century in more than a few countries had to accept setbacks that were more than merely regrettable, ultimately there was no stopping the triumphant march across Europe. In the course of this process it became clear that in virtually every country the introduction or reinforcement of democracy went hand in hand with a similar strengthening of the position of the mechanisms for state financial controls. It was particularly impressive to observe in the last decade of the 20<sup>th</sup> century how the new states of Central and Eastern Europe, having broken free of communist dictatorship and having created the foundations for democracy, very quickly set about establishing the mechanisms for government auditing or made existing mechanisms subject to a new legal basis. Nothing could be better proof of the close connection between democracy and government auditing, or in other words: the priority given to an audit institution within the internal legal and power structure can be regarded as a measure of the progress of the democratisation process in the state in question.

This harmony between democracy and government auditing is not the result of pure coincidence, but has its roots in the most basic duties of the audit institutions. For the control of income and expenditure involving the public purse at the same time means the control of every official who is responsible for the management of public funds. Ultimately, these officials are the members of the government appointed for this purpose. Financial control is – as is obvious from the name – control that is restricted to financial matters and not political control over the government and its subordinate executive. In a democracy, political control over the government is rather the responsibility of parliament, the representatives of the people. Parliament not only has the power to determine the budget, it also has the power of control over financial matters and is thus the true master in a democratic state. However, parliament does not itself exercise this control function in practical terms, and would indeed not be in the position to do this – not in every area, at least. Rather it is dependent on the auditing activities and the reports of the authorities responsible for controlling accounts. From this it can, however, be seen that an almost symbiotic relationship exists between parliament as the body ultimately responsible for the control of financial matters and the audit institutions.

The more effectively a public audit institution acts, and the more rights and inspection powers it is granted, then the more lasting and effective the deployment by parliament of its controlling powers over the government and its members can be. Conversely, the strengths of an audit authority and the extent of its rights depend on the power of parliament to assert its authority over the government. In countries with comparatively weak parliaments, the audit institution tends to have a subordinate position, whereas strong parliaments have a natural interest in potent public audit mechanisms. This is proof of two things: on the one hand – as I have already mentioned – of the connection between parliamentary democracy and the audit authority, and on the other, of the fact that public audit mechanisms offer vital support to the parliamentary system and thus to democracy. For without their auditing activities and their

reports to parliament, parliament could not assert its powers of financial control and thus its powers of political control over the government.

A measure of the effectiveness of an audit institution and the legal protection for its powers is the extent of its independence. In 1977 at its IX Conference in Lima, INTOSAI issued the Declaration of Guidelines on Auditing Precepts (the Lima Declaration) and laid down the standard of independence that an audit authority should meet in order to guarantee that it can act objectively and without reservation. Accordingly, an audit institution must in its organisation, staffing and funding be independent of the entity that is the subject of its auditing activities, most particularly the government and its subordinate administrative departments.

Organisational independence prevents the entity subject to the audit from having any influence on both the internal structure of a state audit institution and on the professional careers of its auditors. Above all, there should be no opportunity for the heads of an audit institution to be removed from their positions as the government pleases, or as the result of an audit report that is not to everyone's taste. The Lima Declaration does not however intend to exclude the possibility of dismissal in principle, but instead lays down strict, constitutional requirements for dismissal that can only come into play in the event of a serious breach of official duty. These requirements apply in the case of the Federal Audit Office and also, incidentally, to the Austrian Audit Authority.

The independence of the staff of an audit institution is intended to ensure that it has as much autonomy as possible in drawing up its audit programme, and above all to protect the executive from prohibiting it from carrying out audits.

Lastly, financial independence has the objective of guaranteeing that a state audit institution has all the financial resources it requires to ensure that it can fulfil its duties. To this end it should have the right to apply, if necessary directly, to the body responsible for the state budget, in this case parliament, for the funding that it regards as being necessary. Again, the Swiss Federal Audit Office is in this regard in the fortunate position that the preliminary budget it draws up annually for non-monetary and human resources is presented unchanged to parliament for discussion.

Parliament shoulders by far the overwhelming share of responsibility for safeguarding the independence of an audit institution as the summum bonum of public financial control. It must counter the desires of the government to influence the activities of the audit institution and provide measures for the legal safeguarding of its independence, i.e. create through legislation adequate protection against unlawful encroachment on independence, such as that provided for in the Declaration of Lima (§ 5.3 of the Declaration of Lima).

Such legal protection is also required to prevent unlawful interference with the auditing powers of the state audit institution. A public audit institution in a modern state with its abundance of tenders for the provision of services must have the right to inspect all public funds. It must no longer be restricted merely to audits of the public administration; the jurisdiction of its audits should also be extended to commercial enterprises established under private law in which the

state is a shareholder – this was, incidentally, also a demand made in the Declaration of Lima (§23 of the Declaration of Lima).

If one considers the history of the Federal Audit Office, today celebrating its 125<sup>th</sup> anniversary, it can be seen that in recent decades it has undergone a significant turnaround. The years 1967, 1994 and 1999 saw decisive changes to its legal position and auditing powers. As the Secretary General of INTOSAI, I am understandably pleased that this has led to an increase in the importance of the Federal Audit Office, as a member of INTOSAI, has strengthened its independence, and has also extended the objectives it applies in audits to include an examination of whether financial expenditure is having the expected effect, i.e. checking of the achievement of objectives. This also meets a demand of the Declaration of Lima (§4.3 of the Declaration of Lima), with the result that the Federal Audit Office is now able to cover the entire range of financial audit criteria – economy, efficiency and effectiveness.

As Secretary-General of INTOSAI, I must say how pleased I am that the Federal Audit Office has participated for so many years and with such enormous commitment in a wide variety of INTOSAI activities, and in particular that it has repeatedly taken on important duties at conferences. The successes that have been achieved for INTOSAI and its members are the best possible recommendation for the Federal Audit Office and its staff and have won it appreciation around the world.

It is a particular pleasure for me that the Federal Audit Office last year at the most recent INTOSAI Conference accepted the position of auditor to INTOSAI for the years 2001 to 2003. This not only guarantees a truly professional audit of the INTOSAI finances, but as the Federal Audit Office has to conduct its audit at the headquarters of INTOSAI in Vienna, it happily provides a further opportunity to further the already close contacts between Bern and Vienna in a manner that would not have been possible had our relations remained purely bilateral. Above all, I am delighted that I will in this way be able to develop my personal relationship with you, Mr Grüter.

In view of the major importance of the Federal Audit Office, both at a national and international level, and its excellent reputation worldwide, it is for me equally a duty and a great honour (??) on behalf of both INTOSAI and the Austrian Audit Authority to offer my most sincere congratulations to the Swiss Federal Audit Office, its Director and its staff on the 125<sup>th</sup> anniversary of its foundation and wish them all the best and every success for the future.

My wishes apply equally to the Finance Delegation of the Federal Councils, which is celebrating its centenary. May the cooperation between the Federal Audit Office and the Finance Delegation continue to bring success and to benefit the taxpayer.