

EURORAI-Seminar „Guidelines for Independent Regional Public Sector Audit Institutions“ and practical examples of members

Audit activities (Principle 7) of the Court of Audit of Styria

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- 1. Short introduction of the Land Styria**
- 2. Principle 7 of the EURORAI Guidelines**
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- 4. Summary**

1. Short introduction of the Land Styria

Land Styria

Area	16,401 km ²
Inhabitants	1.222 Mio.
Regional Budget	€ 5.76 Bn.
Regional Administration	about 7,500 Staff



1. Short Introduction of the Land Styria

Court of Audit of Styria:

Employees	27 (22 auditors)	
Budget	€ 2,56 Mio.	
Audit commitments	250 audited bodies (Land) 272 municipalities (< 10,000 inh.) 15 municipalities (≥ 10,000 inh.)	} > € 18 Bn. Total volume
Reports (2013-2015)	54	
Recommendations	557	
Impact	80%	

All audit reports of the Regional Court of Audit are published on the Internet .

2. Principle 7 of the EURORAI Guidelines

Principle 7 governs the **following fundamental aspects:**

- I. Sufficiently broad statutory mandate to audit the use of public funds and financial operations
- II. Full discretion in the discharge of RAI functions (object, issues, concept, time and methods of audit)

Furthermore RAIs can provide – of their own accord or when required by legislation – their professional knowledge to parliament, government or the administration in the form of expert opinions.

3.1 Ex-post control: comprehensive auditing powers

- **Audit of the financial management of the Land**
- **Audit of the financial management of municipalities with less than 10,000 inhabitants**
- **Audit of the financial management of municipalities with at least 10,000 inhabitants**
 - in general a function of the Austrian Court of Audit
 - Court of Audit of Styria: in specific cases at the request of the regional parliament or a reasoned request of the regional state government

Examples for comprehensive auditing powers

- **Audit of organisations in which the Land or a municipality holds at least 25 % of the share, stock or equity capital**
(Austrian Court of Audit: no audit under 50 %)
- **Comprehensive subsidy control**, if an audit is contractually agreed on
- **Audit of housing developers** which obtain funds from housing subsidies, if an audit is contractually agreed on

3.2 Project control as a specific feature

- **Control of the needs assessment, of the target and follow-up costs-calculations of projects** which the Land or an organisation (which is subject to the control of the Court of Audit of Styria) implements
 - Project costs exceed 2 per thousand of the collective payments of the valid regional state budget (2016: 11.5 Mio. Euro)
 - Submission prior to the implementation of the project and after completion of the planning
- Project control has been implemented as a type of **realtime control** since the Court of Audit of Styria was established

Since 1983 more than 83 project controls, especially with regard to infrastructure construction (hospitals, nursing homes, schools, roads)

Frequent findings of project controls:

- Incorrect / unclear assessment of demands
- Deficiency of cost estimates (indexation, incompleteness)
- Missing / deficient risk management
- Neglect of sustainability aspects

Insights gained from project controls:

- **Correct analysis of requirements** → determining for the planning, as well as for the efficiency and follow-up costs
- **High-quality cost management** → essential element for the handling of financial resources
- **Clear project goals** → basis for transparent costing
- Overall costs have a fluctuation range at the submission date of the project → insecurities have to be considered through a **risk management system**

The Court of Audit of Styria contributes to an overall cost assessment through its project controlling reports

3.3 Total cost monitoring

- **Target-performance-controls** during the project implementation → on the basis of quarterly reports
- Cost overruns of more than 20 % → Examination of causes and submission of the report of the RAI to the government and the control commission of the parliament within one month

An **annual report of the total cost monitoring has to be submitted** to the parliamentary control commission by March 31 of the following year.

3.4 Expert opinion on impact orientation

- Budgetary reform in the Land → **impact orientation**
- **Efficiency targets** and measures with indicators to reach those targets have to be specified in the budget → The Court of Audit of Styria **can** give an expert opinion on these data of the impact orientation
 - Criteria for the assessment: relevance, content consistency, comprehensibility, traceability, comparability and auditability of the data
 - The RAI can point to earlier findings and recommendations in other audit reports

The Regional Court of Audit of Styria has delivered an expert opinion to the financial committee for the budgets 2015 and 2016

Insights gained in what concerns the impact orientation:

- **Consistent conception and a valid method** for every subbudget lay the foundations for comprehensive and comparable data
- A comprehensive **coherence between the allocation of resources and the envisaged impact** for the society is demanded by the Court of Audit of Styria
- The administration faces new challenges with the **conversion process**

3.5 Expert assessment concerning the financial statements of the Land

- For the first time the financial statements of the Land concerning the year 2015 are based on the **budget structure of the double-entry system** → Opening balance sheet for the Land Styria on January 1, 2016
- The Court of Audit of Styria **has to** issue an expert assessment on the draft of the financial statements of the Land within six weeks,
 - with regard to whether the draft is in line with the regional budget and the budget-related authorisations or decisions made by parliament
- The expert assessment of the Court of Audit of Styria has to be considered in the financial statements of the Land

The Court of Audit of Styria is annually involved in the process of the budget management of the Land by its duty to issue an expert assessment (financial audit)

Regional courts of audit in Austria have published guidelines for the financial audit of regional financial statements.

- The Court of Audit of Styria accomplishes all aspects of a broad audit mandate with regard to principle 7
- The regional law provides the Court of Audit of Styria with **specific instruments for auditing**. These tools give the Court of Audit a specific role among the RAIs.
- In times of New Public Management the **role of RAIs** also changes → functionality of systems (including IT-systems), a correct description of all risks and the impacts of administrative action are under review
- Both a **sustainable public finance system** through a conclusive accountancy and the **financeability of government tasks** have become central fields of action of RAIs

Further information on the Court of Audit of Styria:

→ www.lrh.steiermark.at

→ **Activity Report 2015**

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