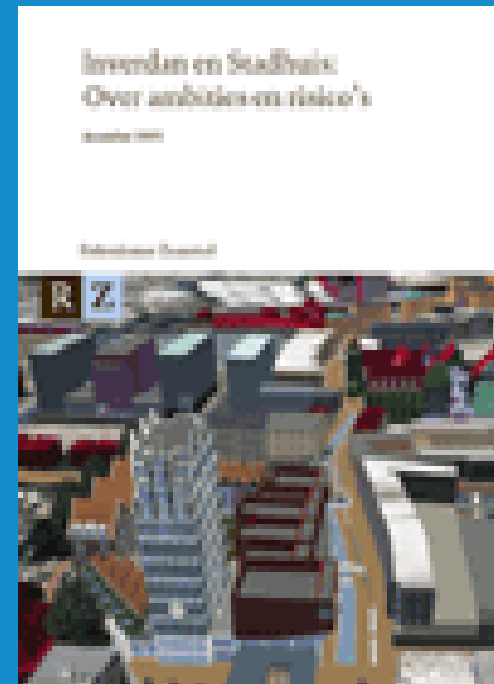


Planning the risk based audit: The case of auditing a city development project Zaanstad: Inverdan

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Background: facts & figures

The old industrial city of Zaanstad: 150.000 inh.

- City without 'core' or 'centre': 7 separate villages
- Last decades: city-government very left-wing and strong financial problems: debts
- End of the '90's: new mayor, a 'visionair' but not a 'book-keeper', urge for a new city centre around the railway-station
- City development: No demand, but supply
- City 'program' 2003-2012:
 - Cost: € 750 M ; € 250 M public investment
 - 140.000 m² offices & 2.000 houses
 - Leisure & shopping
 - A new townhall: € 70 M

Why auditing?

City council worries:

- Decided for 'go-decision' in 2003, lack of knowledge
- Bad information on cost & progress
- No trust in mayor & college of alderman
- High financial risk; strong private parties
- Citizens: No sense of urgency
- Start 2003: deficit € 20 M

Proposal:

Second-opinion on risks, new deficit, progress, information

Gathering knowledge & information

Within the city-authority itself:

- Critical council-members
- Program-organisation: financial & performance reports
- Intern control & external auditor
- Former second-opinions

Outside the city-authority:

- Financial city development specialists
- Risk analysts
- Best-practices

Risks in city development projects

1. Effectiveness:

- Scope/performance
- Timing
- Finance: budget, mid-term, cost to complete

2. Performance program-organisation:

- Responsibilities
- Management systems & controls
- Financial systems & controls
- Risk management systems
- Internal costs

3. Outsourcing & Contracting (European law)

4. Information:

- Within the program-organisation
- Program-organisation vs. alderman
- Alderman vs city council

5. (Not) Implementing results former audits

The audit plan

1. Important for auditors and audited bodies: reference

- Objects
- Standards
- Resources
- Timetable

2. In discussion with audited bodies

3. Plan itself static, implementation dynamic

The audited bodies

Introduction of the audit plan:

- City council
- Mayor & alderman
- Program-organisation
- External auditor / CPA

Commitment to:

- Inform
- Comment

Costs

- 125 audit-days: € 93.750
- 3 auditors, o.w. 2 CPA's
- 6 months, o.w. 1 month comment on draft report:
 - Facts: program-organisation
 - 'Political': on conclusions and recommendations

Revenues

internal knowledge of:

- Project- en program-organisations
- City-development & (public) finance
- Contracting & Outsourcing
- Risk-analysis

Lessons & use of ISA

Planning a risk bases audit for city development projects means:

- Invest in auditors & audited bodies
- Focus on expectations and motives, but also on the unforesee and unique factors

Use of ISA:

- Toolkit
- Reference
- Guide-book