

The different types of annual reports and their public impact

Despite the fact that we are all dealing with external public sector auditing, the second working session has revealed that our annual reporting differs greatly. Whereas there are still numerous parallels in the processing of individual audit reports by the audit institutions and by the bodies audited, since they follow a similar, indeed inherent audit pattern, annual reporting varies considerably. This can be attributed to the following factors

- the different position of regional audit institutions within the overall structure of the external public sector audit in the respective country
- the different type of role of regional audit institutions and
- the statutory requirements to pursue findings further.

These three criteria do not only affect the form and content of the annual reports, but also affect the impact these reports have in the public domain. Irrespective of the different legal requirements regarding the preparation of reports, an analysis of the influence of these three criteria may provide indications as to future trends.

In France, annual reporting by the regional audit chambers is greatly characterised by the influence and importance of the national Court of Audit. Instead of the regional audit chambers presenting the major conclusions of their audits themselves, such findings are incorporated into the annual report of the national Court of Audit. The Court of Audit will also decide whether, and to what degree, the neutralised conclusions of the regional chambers are to be included. In contrast, the annual reports of the regional chambers, to which the public have access, mainly contain descriptions of duties and reports relating to the previous year's activities. However, conclusions of audits, audit criticism and claims arising therefrom, are not reported. Although the regional chambers could provide information on individual findings, as a rule they refrain from doing so. The somewhat statistical description of duties are accordingly of minor public interest. However, at the annual ceremonial opening session, the president of the regional audit chamber has the option of referring to particular findings in

a general and abstract manner. However, no reference must be made to concrete audit conclusions, thereby avoiding any resulting new contradictory proceedings.

Neither should it be ignored that the findings of each individual audit as well as any judgements which the regional chamber passes within the framework of its jurisdictional function and which have been processed with the audited institutions, may be viewed by any interested party.

It would appear that the options for public presentation described, in particular as far as the presentation of working results is concerned, may be able to be increased, and need increasing. If public interest in the observance of individual findings were increased, I believe that this could give rise to a trend for providing general information on audit conclusions in the annual report of the regional audit chambers. The chambers would then be able to determine areas of emphasis for the reporting of their activities.

The situation with regard to the annual reports of German courts of audit and Spanish regional audit offices is different. In the case of the latter, the annual reports are supplemented by reports on cross-sectional audits on particular issues. Annual reports are an important tool in the discharge procedure of regional governments in Spain as well as federate state governments in Germany in terms of parliamentary control of budgets. Whereas the findings of individual audits are, as a rule, treated confidentially and not published, provided there are no express legal provisions for individual cases which stipulate otherwise, in both countries the annual reports form the basis for the parliamentary discharge procedure at regional level and are published.

Differences in content are a result, in particular, of the legal provisions for audit competence. In Spain, audits focus primarily on the regularity of budget implementing on the basis of accounts and other relevant data and on the fairness of public-sector procurement. To this end, the annual report contains all of the main statements as a basis for a subsequent discussion in parliamentary committees and in parliament itself. A parliamentary document should then be published in the official gazette.

As a rule, the annual reports of the German courts of audit are more comprehensive. As part of the parliamentary discharge procedure, all statements of facts which are of importance for the discharge of federate state government must be reported. Consequently, the reports contain not only statements on the federate state's financial status and on budget implementation but also on all major audit conclusions which are of importance for the discharge of the government of the *Land*. The German courts of audit are responsible not only for legality audits, but also for auditing the efficiency of the administrative activities of the authorities and other federate state institutions, as well as auditing the use of public grants and subsidies. They perform this task in numerous audits, the object of which may be the economic performance, the necessary employment of personnel and an effective organisation of the administrative body. As a result, the conclusions of these audits and the claims made on the federate state government derived therefrom are reported. The example of Germany has clearly shown how such a report materialises and how it is treated in the parliamentary procedure within the framework of the annual report.

After having been sent to the federate state parliament and government, the annual report is presented by the president of the respective court of audit at a press conference. It is released as a parliamentary publication and placed on the Internet by the court of audit. It is a matter for debate in parliamentary committees in which both representatives of the court of audit and representatives of the government of the *Land* take part. In addition to the decision on discharge of the government, the parliament passes resolutions on concrete claims made on the respective government, which must then report steps taken to the parliament. The court of audit may investigate in a subsequent audit procedure whether the government and its subordinate authorities have granted the requests made by parliament. The courts of audit in Germany are increasingly making use of this option.

The president's presentation of the annual report usually creates considerable, albeit short-term, public interest. In particular, the findings on efficiency and economy are discussed in detail. It should be stressed that, although there is significant public interest following publication of the reports by the courts of audit, little is reported about the subsequent parliament claims and even less about the conclusions drawn by the government. However, debate does not always follow the priorities as anticipated by the court of audit and is often dominated by local interests.

In view of the fact that the conclusions arising from the audit of municipalities and associations thereof, insofar as the courts of audit have jurisdiction, are insignificant for the discharge of the federate state government, these conclusions are often not included in the annual report. However, in order that the major findings gained from these audits are not disregarded, an increasing number of courts of audit present nowadays a communal report in addition to their annual report. Apart from reporting on the financial status of the municipalities, these communal reports also provide recommendations, based on audit experiences, on economic conduct or individual organisational issues. These reports are also presented publicly and are often published as parliamentary material.

The situation in Great Britain is once again different. If I have understood correctly, the reports which are submitted to the parliament each year set out the results of all audits performed. The effectiveness, efficiency and economy of the procedures of individual administrative institutions or the effectiveness in fulfilling certain tasks forms the object of these audits. Attached to this is a recommendations catalogue, the comprehensive nature of which differs from case to case. It is then left to the respective authorities, government, ministry, responsible administration etc. as to how they deal with these recommendations and which conclusions they come to.

Since the reports are placed in the public domain, the degree to which the content of the reports is discussed depends, in each case, on the level of public interest. I assume that this debate is very lively as the audit issues are of national interest and the audits are geared toward citizens' interests in effective performance of administrative activities, e.g. housing provision, healthcare provision and penitentiary system. The results of some audit methods such as benchmarking or the search for best practice certainly create particular public interest, as they permit to praise administrative institutions which are managed in a specially successful manner, or the procedures they employ and criticism can be made directly to less successful establishments.

The summary that I have presented is certainly far from complete and, in many respects, requires expanding. The analysis of the survey of all the EURORAI members set up by the General Secretariat enables a more in-depth comparison to be carried out. I am extremely grateful for this evaluation and I recommend that you study it.

In spite of all the differences in reporting, there are, however, some areas in which we can learn from each other how we can better achieve the common objective of providing comprehensive information about our activities in the interests of fair, efficient and economic administration.

In independent reports of each audit institution, we should endeavour not only to illustrate that we have carried out audit activities diligently but also to show the major conclusions that our audit has produced. If I have followed the discussion correctly and am not mistaken by the impression gained from reading numerous reports from other courts of audit, this point has been somewhat neglected in the past. To achieve progress here, we may possibly have to change our audit activities ourselves and increase the number of subsequent audits we carry out.

Even if we exercise our audit duties as seriously as possible, we are finding that there is a clear split in what is expected. On the one hand, people expect us to submit sensational reports on misconduct and squandering of funds, while on the other hand, people see the result of our work – at least, in my opinion, in Germany – very often as that of a paper tiger and of an authority, which only addresses issues once they are beyond solving. I therefore ask myself the question as to whether we should not completely reorganise the public relations work of our authorities, away from focusing on the presentation of a report once a year. Irrespective of that, the reading of numerous reports has also shown that we can still learn a lot from each other in presentation and that the language of a sober administration document should be adapted to be a little more in line with that of modern media output.