

Communication and placing in the public domain of audits by the Regional Courts of Accounts

Thematic audits

The audits carried out by the Regional Courts of Accounts (RCA) focus not only a local authority's wide range of activities, as has already been put forward in the previous presentation made by M. PAGES, but also on a particular activity as performed by authorities which are subject to the courts' audit. The approach to the audit will therefore be thematic in nature. This may take the form of examining and evaluating a function (personnel management), an authorities' policy of intervention (professional training in the case of the regions) or a public service activity (local water service)

The thematic approach is adopted for large local authorities such as the regions, the 'départements', the Municipality of PARIS, cities or local public establishments such as Assistance Publique - Hôpitaux de Paris, for example. The management approach will be carried out "in stages".

The activities of the courts are shown in two types of publication :

- an **audit report** on the local authority in question, following a management audit, under the same circumstances as those specified by M. PAGES ;
- a **formal notice**, when the activity has been referred by the Préfet (State representative in local government), on a public market or outsourcing of a public service.

This presentation will not expand on this last point, although it will, within a limited time-scale (one month), result in a decision being taken on the execution of a contract entered into by the authority for carrying out of one of its public services. This request for an opinion has sometimes led the RCA, in view of the anomalies brought to light, to intensify their work by means of a management audit, thereby expanding the scope of supervision.

1. - The thematic audit framework :

1.1. – The "targeted" auditing of certain authorities :

There are two main cases where thematic audits are found :

- the audit of certain major authorities needs to be carried out "in stages". Where this is the case, the communication of the observations does not differ greatly from the situation presented by M. PAGES ;
- national or regional investigations of a particular management issue, where several references are required in order to be able to draw generalisable conclusions.

It is this last point which I will consider in greater detail. As far as the municipalities are concerned, it is most often a matter of public service activities, and as such one with an economic dimension therefore, as in the case of industrial and commercial public services. With regard to the number of major authorities, the sphere of activity of some Regional Courts of Audit is sufficiently large enough for them to conduct their own thematic investigations. Among recent cases, let me mention those carried out in the Ile-de-France and Provence-Alpes-Côte-d'Azur regions with regard to the municipalities' management of mass catering. However, the standard thematic investigation is one which is carried out at national level, where several Regional Courts of Audit work together on a common issue.

1.2. – Joint investigations by the financial courts :

Joint investigations focus on one issue. This provides the strength of the management audit of an authority, indeed even the unique substance of this audit.

This is namely a programmed activity involving the distribution of an audit manual, which is the basis for a standardised audit process. Such was the recent case of the investigation conducted by some twenty RCA into the management of local public water and sanitation services, which will lead to the publication of a special **public report** by the Court of Accounts. This is the financial courts' most detailed form of publication. Indeed, an audit of this kind enables general lessons to be learnt from the examination of particular cases (in this case, more than 200 audit reports have provided the material for the public report, even though only fifty or so local authorities are mentioned).

Two examples are particularly illustrative of the investigation carried out for the management of local public water and sewerage services :

- the review carried out on the municipality of SAINT-ETIENNE, where these public services were contracted out to a private company ;
- the example focusing on the SYNDICAT INTERDÉPARTEMENTAL D'ASSAINISSEMENT DE L'AGGLOMÉRATION PARISIENNE (Paris Sewerage Treatment Authority), which ensures, through direct management, the operation of sewerage treatment plants and sewerage transportation equipment for PARIS and its suburbs in the wider sense.

These examinations follow a previous review carried out approximately 5 years earlier.

1.3. – The investigation into the management of local water and sewerage services :

An investigation was carried out into local authorities' management of water and sewerage services. This work involved around twenty Regional Courts of Accounts. This work was carried out using a joint methodology (investigation manual) which was supplied to the RCA so as to harmonise the examination approach as much as possible, but without severely standardising the audit process. This investigation was conducted under the supervision of a group of magistrates, with correspondents in each jurisdiction playing an active role in the work. As the investigation progressed, the correspondents were consulted at each stage.

Following an earlier report published in 1997 which aroused much interest, a special public report by the Court of Accounts on the management of local water and sewerage services will be published shortly.

2. - Thematic audit observations :

2.1. – Content of observations :

In the two cases used to illustrate the points put forward, the methodological constants allowed strong conclusions to be drawn from the examination conclusions :

- the action taken in light of previous observations (it is a case, on the one hand, of showing continuity in the action of the financial courts, and on the other hand, of measuring the positive impact of the previous examination : has the local authority taken the observations into account so as to implement reform ?) ;
- financial aspects ;
- organisational aspects ;
- finally, the service provided, to the end user in particular.

The observations are not, of course, instructions for the local authorities to which they are given. They reveal the weaknesses observed and are not an order to put an end to them.

They may emphasise, in the case of an industrial and commercial public service and in addition to the aforementioned points, :

- the organisation of the local authority : how does it carry out its role of authority organising the service ;
- the service management method : direct management or management entrusted to a third party ;
- the contract when the service has been outsourced to a private company or a public establishment ;
- the interrelationships between the authorities themselves ; most of the water and sewerage services, for example, can only be managed at the level of the conurbation, and increasingly less at the level of its municipal subdivisions.

2.2. – The objective of thematic audits :

The objective of thematic audits is to assess, in as much detail as possible, the different aspects of managing a major activity of an authority. This means viewing management from an external perspective, using the national references provided by databases and the experience accumulated by the various financial courts. The objective, which is yet to be achieved in full, is to evaluate the activity in question, by going beyond the aspects of regularity in order to tackle the risk aspects, and more particularly the financial and economic risks, in the most relevant way possible.

The observations made of an authority may also cause the authorities connected thereto to be examined. It is in this way that the SIAAP case study triggered an examination of a local authority with which it was connected, namely the département of VAL-DE-MARNE through its Water and Sewerage Management.

2.3. - Report content :

The audit report consists of, at least :

- Review of actions following previous observations :

Traditionally, the RCA review the action taken in light of their previous observations. Thus, in the case of the water and sewerage services where a high number of anomalies were highlighted, and in view of the importance of the financial stakes, the Regional Courts of Accounts carry out a periodical review in order to make sure that management has improved.

In SAINT-ETIENNE, an examination was carried out to see if the subsequent water and sewerage budget had been restored and if an audit of the company to which services have been outsourced had been implemented.

In the case of the SIAAP, this follow-up review concerned the development of the institutions' regulations, the development of its contractual relations with other authorities or with water distributors responsible for collecting the SIAAP's main resource. With regard to this last point, the implementation of an audit was noted. During the examination, it was also noted that relationships with one of the authorities in particular, were starting to be rebuilt.

- An opinion on the financial aspects :

Of course, particular attention is also paid to aspects regarding the balancing of finances. In this respect, the activities of the water and sewerage services must be presented in a particular account, namely as part of the subsequent budgets for the municipality or institution specialising in intra-municipal cooperation.

In the case of the SIAAP, the general balance is good and, as far as investment is concerned, benefits from significant transfer revenue. For this reason, the financial balance of a particularly extensive investment programme was reviewed : it was noted that this can be carried out "without having to increase the inter-departmental sewerage charge too sharply". This charge constitutes the establishments main resource.

In Saint-Etienne, the subsequent water and sewerage budgets had been abolished in 1992 ; they were reintroduced in 1997 following the intervention of the regional court of accounts the previous year. The last audit revealed that the undue charges were charged to these accounts while revenues were not credited to the accounts.

Careful attention is also paid to the change in the price of water. Thus, the modernising of sewerage equipment explains some of the price rises witnessed, both in Saint-Etienne as well as for the SIAAP. In SAINT-ETIENNE, where this price is especially high, contractual clauses are particularly punishing, such as the price indexation for certain growth factors, the increases in which are greater than the general level of consumer prices.

In the case of SIAAP, the complex nature in which sewerage services are organised, with three or four levels of sewerage charge, means that invoices for this service vary greatly according to the municipalities served, with knock-on effects for the global price of water.

- A look at organisational aspects :

Observations concerning both the internal structuring of the local authority as well as its relations with other bodies.

As far as **internal organisation** is concerned, the examination will concentrate on whether the means at the organisation's disposal are sufficient for the task to be carried out.

In the case of SAINT-ETIENNE, where responsibility for operating water and sewerage services has been entrusted to a company, it was noted that the service responsible for supervising the said operating company was badly organised and that the authority did not exercise sufficient control over the operating.

As for the SIAAP, for historical reasons, it did not play any real role in human resources management. Indeed, it performed its work with personnel (1,400 officers) from another local authority (that of the City of PARIS). Thus it found itself in a situation of dependence, with major difficulties in adjusting both the quantity and quality of the staff it required.

In SAINT-ETIENNE, although the local authority had created a service responsible for monitoring the company operating its water service, a number of failings in the way this service functioned have been revealed : high turnover in the personnel responsible for technical control, a poor relationship between the technical service and the service responsible for financial control (the former having failed to forward to the latter the reports supplied by the operating company).

Major public services are increasingly being managed at an urban geographical level, i.e. the conurbation. As a result, **relations between authorities** are being reviewed.

In the Greater Paris area, the powers of the SIAAP only cover the downstream part (waste water treatment plants) of the sewerage system for an area comprising more than 8 million inhabitants. The waste water collection services cover a total area of more than 300 local authorities. With 4 départements managing the facilities collecting this waste water, the overall area is poorly coordinated and the ramifications of this are impacting on the SIAAP, in terms of severe operating and financing restrictions. Indeed, during rainy weather, it should be able to treat the volumes of water in its facilities while preventing polluted water from entering the natural environment. So, instead of being charged to the authorities' general budgets, therefore to local taxpayers, the extra equipment required in terms of the facilities constructed and managed by the SIAAP, resulting from the rainy weather, is charged to the water user.

In SAINT-ETIENNE, despite the creation of an urban community responsible for cooperation between the local authorities, the complexity of the sewerage system (technical but in particular legal complexity with a whole range of management methods, contracts and operating companies) has prevented this public service from being managed in a unified manner.

As for the service regarding drinking water, this is carried out in much of the conurbation by the service empowered by the central municipality. This is being carried out under uncertain legal circumstances which are matters of dispute in the law courts. For example, one of these contentious issues caused SAINT ETIENNE to give up revenue of 2.4

million euro from the sale of water to another local authority who disputed the total sum to be paid. Here again, management at the level of the conurbation is necessary.

- The service provided:

The audit of the authority underlines the qualitative shortcomings :

- lack of means : purification plants are saturated, there is insufficient treatment capacity, especially during rainy weather (SIAAP) or a deficient sewerage system (SAINT-ETIENNE) ;
- lack of protection of water resources (protection of water catchment facilities, warning station), absence of interconnection with neighbouring networks, (SAINT-ETIENNE).

This aspect of the audit work is becoming increasingly important. However, the Regional Courts of Accounts most recent work focuses on defining performance indicators which will enable this quality to be measured objectively, with links between the measures implemented and the results achieved, regardless of whether water and sewerage services are carried out by companies or by a public authority service.

3. – The placing in the public domain of thematic audits :

3.1. – The audit report :

I am not going to expand on the issue of communicating the audit report. As my colleague, M.PAGES has already pointed out, it will be communicated to the authority.

3.2. – The public report by the Court of Accounts :

Thematic audits are most productive when the conclusions of the investigation conducted are published as part of the Court of Accounts' public report. The placing in the public domain of these observations can take two forms :

- inclusion in the Court of Accounts' public report, where the issue investigated is covered in a twenty or so pages, among other aspects of the judicial courts' work,
- the special public report, with around a hundred pages dedicated fully to the issue investigated, accompanied by responses from interested legal bodies (ministries, authorities, societies).

The implications may be considerable, both on the management of authorities, whether or not they formed part of the investigative sample, and for the development of national laws and regulations. Thus, a special public report on water and sewerage, published in 1997, had a huge impact on the sudden awareness of the major stakes surrounding water policy in France, on the part of both the local and national authorities, as well as the general public and the press.

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To round off the exhaustive thematic investigation conducted by the majority of the Regional Courts of Accounts, a new special public report on water and sewerage services management will be published very shortly. This is the result of work based on more than 200 management reviews, of which fifty or so are expressly mentioned, such as those of the SIAAP and SAINT-ETIENNE. During the drafting of the report meetings were held with

the European Community's environment directorate, French ministerial departments (Interior, Environment), with elected representatives and with professional trade unions. Whereas the investigation was initially planned to be a simple follow-up report, the wide-ranging nature of the topic saw the scope of the original plan being exceeded in an effort to tackle the transition towards an evaluative process.

Our contacts have made it clear to us that the document was expected by the councillors and the various players in the water and sewerage sector. It proposes measures to clarify the management of this sector (standardisation of delegation accounts and the delegate report), and improve the competitiveness and the service provided to the user so that the latter can profit from a quality service at an affordable price, especially if they have been clearly informed of the economic and environmental issues.

Ch. BERNINGER
Section President
Haute-Normandie Regional
Court of Accounts