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The Auditor-General of Finland, Dr. Tuomas Pöysti
At the opening of the EU SAI CC workshop on fiscal policy audit, Helsinki, 23 September

WELCOME TO HELSINKI TO LAUNCH THE NETWORK FOR FISCAL POLICY AUDIT

It is my pleasure as the Auditor-General to Finland and the President of National Audit Office to welcome you all to Helsinki and to the Parliament of Finland, to the heart of Finnish democracy, to the workshops under European Union Supreme Audit Institutions (SAIs) Contact Committee with the particular mandate and objective to launch two important networks between EU SAIs, (1) a network for the audit of fiscal policy and whole-of-government finances and (2) a network for the audit of the Lisbon strategy for growth and employment. I hope these two networks will improve accountability concerning two significant areas of the activities and policies of the European Union. I also hope that with these networks launch in the Helsinki workshops we can turn a new page in the co-operation between SAIs of the European Union.

European Union is a particular commonwealth which is also a major global actor in the world economy. Particularity of the European Union follows from the fact that Union is neither a traditional international organisation nor federal state. It is a post-modern and post-sovereign network organisation with the mix of national sovereignty, trans-national co-operation and co-ordination of significant policies, community of law with common European law and a considerable amount of supra-national powers. Traditional doctrines of fiscal federalism and accountability models developed in the context of fiscal federalism do not apply as such to the European Union. The accountability procedures and discourses do not occur only at the level of the European Union institutions but in the Member States in front of the national parliaments and national members of the public. In fact, the European institutions and discourses do not establish a polity, a public space, but the European public space is constituted by the discourses in the Member States connected with the discourses in the European Union institutions.

European Union has the most significant impact to the public finances of the Member States by co-ordinating the economic and fiscal policies of the Member States. Through the Stability and Growth Pact public finances are also subject to same rules and common principles. The Lisbon Strategy for Growth and Jobs is also covered by commonly set objectives and common fundamental legal rules.

The Union's role as co-ordinator of the Member State actions and policies is also significant in the other policy areas as well. Good example is the European defence and security policy which relies co-ordinated use of the Member States resources. Union is

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thus a co-ordinated mix of supra-national and national Member States action and policies realised in the trans-national context.

To have adequate accountability in such a political and legal commonwealth requires a network of accountability actors. That is why the European Union Supreme Audit Institutions at the Member States and the European Court of Auditors need to work together and create a tight network of audit and accountability actors. In this network we shall not only focus to the audit and evaluation of the EU budget itself but all the policies and activities of the European Union. The creation of such a network will be very much welcomed by the European citizens' whom we all ultimate serve. This network activity fits also very well to the spirit of the Lisbon Treaty, which, if it enters into force, emphasises also the role of the national Parliaments in the governance and supervision of European Union policies and activities. All these reasons speak in favour for that we as EU SAIs expand our co-operation to cover not only the EU budget but all common EU matters.

In the area of public finances we have very good reasons to work together. Trough Stability and Growth Pact we are bound by the same general rules and principles and trough common currency we share same limitations and same destiny in the trust to monetary policy and public finances. Irresponsible fiscal and monetary policy creates negative externalities across the borders. Many activities, including the stimulus to help overcome the economic recession, is in our economic circumstances more effective and economically more effective if it is co-ordinated across the Member States.

But currently there is a rupture between the multi-lateral and vertical supervision mechanism of the Stability and Growth Pact at the European Union institutional level and the national political processes. The European Union SAIs can make a contribution to bridge this gap by raising their voice together in the Union level discussions and by bringing a common approach of the analyses to the national Parliaments we report. This addition will also complement the multi-lateral surveillance of the Stability and Growth Pact conducted by the Commission and the Council of the European Union.

The current financial crises and economic recession shows itself how much we are inter-connected in the global economy. We also share the same fundamental challenges. Sustainability of public finances is under stress. This stress has significantly reduced the risk bearing potential of our economies and thereby of our nations and the Union as a whole. It is too early to draw overall conclusions of the causes of the financial crises and global recession we face currently but one lesson is that we need to focus on the structural imbalances in the global economy. The sustainability gap that most EU public finances have is an imbalance which creates crises risk for the future. Sustainability of public finances is a key challenge to all Member States of the Union and as a common fundamental challenge it should be subject to co-operation between the European Union SAIs.

Our objective at this workshop here is to establish a functioning network between interested European Union SAIs in the area of the fiscal policy relevant audit and audit of the whole-of-government financial position. We also aim here to plan the initial ac-

tivities of the network so that when we leave from Helsinki we have an idea about the themes of the network and preliminary working plan.

Fiscal policy relevant audit is in itself a broad theme which will capture together various potential approaches. Even though we for the sake of shortness call this fiscal policy audit it does not mean that we would speak politics. There is a clear difference in the English language between policy, which can and should be subject to audits, and politics as representation, expression and promotion of political opinions, which is not our scope. Unfortunate issue is that in many European languages, including our languages Finnish and Swedish – Finland is a bi-lingual country – there is no separate word for policy and politics.

The relevant audits need not necessarily focus directly to the evaluation of the effectiveness of the fiscal policy or to the quality of macro-economic analyses underlying budget or main fiscal policy decisions but can also concern the simple financial auditors question do the Government financial statements and reporting give a true and fair view of the financial situation of the Government, and does it give a true and fair view of the economic situation. In practise this also has proven to be a difficult question. Without true and fair view in a comprehensive and simple format our nations will easily face the risk of fiscal illusion in which members of the public do not realise financial limits and resources and thereby public decision-making will be biased and distorted to sub-optimal solutions.

Fiscal policy audit in the context of the European Union could cover, for example, following areas:

- audit whether the Government financial statements give a true and fair view on the financial situation and economic situation. This is not a technical issue of the accountants and auditors. Key issue are the sustainability calculus and analyses and presentation of true and fair view of the sustainability of public finances
- audit of the observance of the requirements of the Stability and Growth Pact or some components of it
- audit of the quality of budget processes and budget institutions and their capacity to do reallocations of resources
- audit of the quality of the budget documentation, particularly, the information given by the Government in budget bill.
- audit of the information and economic forecasting underlying budget and main fiscal policy decisions and audit of the quality of follow-up measures
- audit of the effectiveness and functioning of the fiscal policy rules and objectives of the fiscal policy objectives
- audit of the governance arrangements and governance tools of fiscal policy.

The financial crises and measures to rescue financial institutions and to stimulate real economy have created financial burdens and liabilities unforeseen in history. Having a look into effectiveness and functioning of these stabilisation measures falls naturally under the umbrella of the fiscal policy relevant audit. Thereby the network can also make a contribution to the work of the INTOSAI Task Force.

The replies to the questionnaire we sent to EU SAIs showed the potential and interest of the EU SAIs to work together on these themes. Approximately 12 – 13 EU SAIs

have indicated they have audit activities which could be classified under the broad title fiscal policy audit and 9 have indicated activities under a narrower definition of fiscal policy audit. At this stage 16 SAIs have announced interest to participate to the network and 12 is already ready for parallel audits in the area.

Long-term goal should be networked audits of fiscal policy relevant topics. Imagine a day in which EU SAIs will on regular intervals audit the realisation of the Stability and Growth Pact and this will lead to joint report presented at the ECO/FIN and European Council and, as significantly, in the Member States parliaments. Imagine a day when we can honestly say that EU's role as co-ordinator of economic and fiscal policies is covered by comprehensive accountability arrangements.

In shorter term we should establish a network starting with the bench-marking of our activities and best methods to create a European learning organisation and database of knowledge. Results of the bench-marking should be gathered to a report and to a website gathering experiences together. On this bench-marking we should aim at focusing on the European Union relevant issues and to contributing as a region to INTOSAI and EUROSAI activities whereas general standardisation and development of the audit quality management should be left to be conducted in the context of INTOSAI and EUROSAI. Simultaneously with the bench-marking we should launch the search of the appropriate topics for parallel audits and welcome joint audits of interested SAIs (this could, for example, be an issue to consider between Sweden and Finland who both now have rather similar programmes and experiences and we would welcome further interested partners). Parallel audits need proper ownership of each participating SAI and therefore, we must pay attention to proper joint planning of such initiative. We should start here discussion about potential topics so that in our next meeting there would be further definition of the planning framework.

I also hope that we should define here topics for our next theme based meetings. I would suggest, on the basis of the questionnaire, that potential topics include:

- Information used for Financial planning and budgeting, budget presentation and budgeting process
- Evaluation of "True and fair" -information in the Central Government Financial Reporting and Compliance with Fiscal Policy Rules´ and the information of the sustainability of public finances
- Realisation of the Stability and Growth Pact in the national budgetary processes

In the context of the network we shall also have a general look to the sustainability of public finances and to the measures to stabilise financial markets and stimulate real economy.

It is also important we lead by example in the working methods. This means that we shall create electronic working spaces to the network to allow inter-action outside the workshops and meetings. NAOF offers to provide a platform and technical assistance for this at the beginning and we will see what support measures and infrastructure the ECA and other SAIs can offer in the future.

By starting this network we as EU SAIs start to tackle one of the most significant policy areas and area covered by common rules in the European Union. By doing this our

role evolves to take into account the current and new needs and citizens' expectations and to take into account the evolution of the Union itself to a contemporary network organisation, a very particular commonwealth.

Our work here will be directly beneficial to the INTOSAI Task Force on Global Financial Crises. SAIs of Sweden and Finland will each lead a sub-group and many of the SAIs present here participate also to this global co-operation. Our aim in the Finnish SAI is that our network can do also a joint EU contribution to the INTOSAI Task Force. On the Finnish SAI our work in the Task Force will be led and the lead of the sub-group 2A will be taken by NAOF Chief of Staff & Executive Vice President, Ms. Tytti Yli-Viikari, who will also chair this workshop and will be responsible on our side of the co-ordination of its activities in the future, so I think this double-hat will ensure good communications between these forums.

I wish all the best success to our work and remind that we have a clear mandate and task given by the Contact Committee.