Introduction

1. At their 2002 meeting in Luxembourg the Contact Committee noted the Liaison Officers’ report proposing a possible framework under which a co-operative relationship between the ECA and the NAIs might be further developed. The Liaison Officers were mandated to continue their work under the proposed framework at two different levels:

- a **strategic level** which has led to the production of a draft set of 8 Guiding Principles for Co-operation and is covered by a separate paper seeking the Contact Committee’s endorsement; and

- a **practical and technical level** focussing on the second part of the 2002 Resolution which calls on the Liaison Officers to

  “(b) identify and consider further practical and technical issues affecting the relationship and suggest solutions where feasible;
  (c) convene a meeting of technical specialists to determine whether it would be appropriate to commission work to update the European Union Implementing Guidelines and to progress that work as required and appropriate;
  (d) in undertaking this work, the Liaison Officers should take into account the procedural and technical risks to co-operation and the extent to which harmonisation of procedures and techniques is feasible.”

2. This paper reports progress on the practical and technical level during 2003 and explains why external factors led the Liaison Officers to conclude that it was not the appropriate time to update the EU Implementing Guidelines for INTOSAI standards. It also outlines what steps have been taken to identify potential new areas for concrete co-operation to be carried out in line with the newly developed Guiding Principles and makes proposals for 2004. It concludes with a draft Resolution seeking the mandate to continue this work.

EU Implementing guidelines

3. At the time of the 2002 Contact Committee a review of the EU Implementing Guidelines for INTOSAI Standards seemed an ideal subject for co-operation. The original Guidelines had been well received and widely used and distributed both within and outside EU borders. Furthermore updating was a subject of interest to both existing and acceding/candidate countries. However during 2003 INTOSAI’s Auditing Standards Committee (ASC) commenced development of Guidelines for Financial Audit, providing INTOSAI members with practical guidance on the application of INTOSAI Auditing Standards to financial audits. INTOSAI is of the opinion that, in developing the Guidelines for Financial Audit, it could benefit from
the work of the International Auditing and Assurance Standards Board (IAASB) and, as a result, that the Guidelines, as far as possible, should draw upon International Standards on Auditing (ISAs).

4. The Liaison Officers agreed at their May 2003 meeting that there was adequate EU SAI involvement on the ASC to ensure reflection of EU interests and their recommendation was therefore that the Contact Committee should not duplicate the work being done by INTOSAI by launching a separate review of their own. This decision effectively closed down discussion of this being an area of co-operation that a group of Technical Specialists might take forward.

Identifying practical and technical issues of co-operation

5. At their May 2003 meeting the Liaison Officers also felt it was important that consideration of technical and practical issues should not be a purely theoretical or academic exercise but should be firmly based on experience gained from actual, concrete co-operation activities. The Liaison Officers therefore felt their priority was to focus quickly on specific co-operation areas and to identify partners ready and able to act together. As a preliminary step Member State SAI and the ECA were invited to forward their views and suggestions to the Task Force in time for its September meeting in Bonn.

6. At their October 2003 meeting the Liaison Officers of the existing Member States and the Acceding Countries considered together a report from the Task Force as a basis for deciding how to proceed. It was noted that Contact Committee members are currently co-operating in the key EU spending and revenue lines as follows:
   - there is already a Working Group on Structural Funds;
   - there is an informal Experts’ Group on Own Resources (mainly VAT and Customs); and
   - that the German Member of the ECA had sought co-operation from NAIs on an audit in the Agricultural Sector (IACS)
   and that
   - the final report of the Working Group on Protection of the Communities Financial Interests has raised several issues regarding the role of the SAI which should always be kept in mind in all areas of EU related audit work.

7. More generally, the Liaison Officers considered that in the EU context the different components of co-operative working might be seen as incremental
   - from advisory (sharing of advice and information);
   - to reliance (relying on the work of others to avoid duplication);
   - to concurrent or parallel audits (common methodology and approach but work usually done by each participant autonomously and report goes to its own Parliament/governing body);
   - to joint audits (key decisions are shared, work is done by one audit team and one report is prepared for presentation to each respective Parliament/governing body).

The Liaison Officers observed that although there is already a great deal of
information sharing between NAIs and the ECA there was scope to do more in the area of parallel audits and also joint audits.

8. The Task Force report considered by the Liaison Officers offered some preliminary observations on technical and practical factors that might be involved. This included the fact that the exchange of audit planning information between the NAIs and the ECA was insufficiently detailed and poorly timed to allow potential parallel and joint audits to be included in respective annual plans. It was also noted that many of the issues aired in the paper presented to the 2002 Contact Committee (paras 15 - 23) were still valid and needed further consideration in taking forward any new areas of co-operation. Finally it was agreed that it is important in expanding its area of working together, that the Contact Committee does not encroach on or duplicate EUROSAI activities.

Developing a “long-list” of potential Areas for Co-operation

9. In October the Liaison Officers also looked at the results of the first survey of suggested areas for co-operation co-ordinated and presented by the Netherlands Court of Audit under a model using four headings:

- Supporting the ECA/EC
- Assurance reporting
- Parallel audits
- Support activities (focussed primarily on continuing work with Candidate Countries)

It was agreed that the model was useful and that the survey should be updated and extended in time for the Contact Committee meeting to include the views and suggestions of the Acceding Country SAIs. The updated list (reflecting 18 contributions from Austria, Cyprus, Denmark, ECA, Estonia, France, Germany, Hungary, Italy, Latvia, Lithuania, Malta, Netherlands, Portugal, Slovenia, Spain, Sweden and UK) is at Annex 1. Contributors were also invited to highlight up to 5 areas of particular priority or interest to them - whether between NAIs and the ECA on EU issues or between NAIs.

10. The overall objective is to increase the level and extent of co-operation within the framework of the proposed Guiding Principles. The fact that the Liaison Officers have been able to develop a “long-list” gives firm assurance that there is a sufficient level of collective interest to go forward. It is also important to make the point that not having contributed to “long-list” at this time does not necessarily indicate a lack of support for or interest in further co-operation. As the earlier discussions have made clear there can be a range of legal, structural and resource reasons for the positions taken. Equally, as the Principles make clear, there is no compulsion – real or implied – to join in with any given activity, or at all.

11. Nevertheless, the value of the “long-list” is that it provides an informed basis for making decisions for those who do have the resources to engage in further co-operative work. The next step is to agree on those subjects where something might be done in the short to medium term.
Proposals for action in 2004

12. Analysis of the returns indicated that the top ranked areas from the “long-list” were Structural Funds, Agriculture, the EU Trend Report, Procurement and VAT. These constitute the “short-list”. In considering which of these proposals might be taken forward in 2004 it will be important for the Contact Committee to take stock of the overall level and balance of current activities, the actual level of active interest and the need for a volunteer to take the responsibility of acting as Chair or Rapporteur for each of the subjects agreed.

13. Each of the “short-list” subjects was supported by at least 4 nominations – which is considered to be a viable number for starting any co-operative work. Further factors are as follows:

- **Structural Funds**: widespread support for this area in general plus several more specific suggestions. However there is already a very successful Structural Funds Working Group which has circulated its Audit Plan and reports to all SAI/ECA colleagues and is in the middle of its current mandate. The Working Group will present its final report to the 2004 Contact Committee. At that time, if this survey is any guide, there is likely to be no shortage of further work to be done together. *Given this, it may not be desirable to start another activity in this area during 2004.*

- **Agriculture**: the level of support for this major area of expenditure is not surprising. But the size and complexity of the area makes it difficult to suggest any specific subjects for joint or parallel audit work. The favoured proposal is to convene a Workshop involving NAIs and the ECA and to decide on a set of Agriculture topics for development in time for inclusion in 2005 audit plans. *Colleagues are asked to consider volunteering to host and facilitate such an event.*

- **EU Trend Report**: the idea (and the title) comes from the national assurance work on trends in EU funds and EU corporate governance in the Netherlands published by the Netherlands Court of Audit earlier this year. Parallel audits in this area would eventually provide an opportunity to make cross-EU comparisons and analysis but the first audit would necessarily be focussed more on establishing what financial management structures and reporting mechanisms each Member State applied to EU funds. Interest depends to some extent on the level of EU funds in each Member State and the proportion these represent of overall expenditure. There are also some potential national reporting sensitivities for some. However, at least 3 SAIs already do, or are planning, some further reporting based on the ECA’s Annual Report and this could create a platform for a relatively quick first step in this area within 2004. *The Netherlands Court of Audit would be willing to Chair this group.*

- **Procurement**: The subject is relevant to the remits of the ECA and all NAIs and it offers scope for a parallel audit covering both Member State and Commission perspectives. Outputs could include assurance on local compliance, comparative data, good practice points and insights into the economy, efficiency and effectiveness of the process at EU and national level – for example, whether control was improved or hindered by such a comprehensive set of procedures. *An added attraction of this subject could be*
that it relates to the implementation of EU rules and is not restricted to the spending of only EU funds. *Colleagues are asked to consider volunteering to Chair such a group.*

- **VAT:** rather like Structural Funds there is an existing co-operation network in this area. Topics covered include VAT and Customs functions more generally. This is not currently a formal Contact Committee Working Group and meetings are arranged and hosted by volunteer SAIs on a “Chair-for-the-day” basis and are open to all. *In view of this existing co-operation there would not seem to be a need to create a new group in this area.*

14. For 2004 the suggested approach is that work should go ahead on an EU Trend report based activity (led by the Netherlands) and that, subject to volunteers coming forward to run them, preliminary work should be done on developing co-operative audit work in the areas of Procurement and Agriculture. Each group will be responsible for inviting as wide range of participants as possible and for determining its own scope and working practices in accordance with the Guiding Principles.

**Future of the Working Group**

15. The Liaison Officers consider that there is a continuing role for the Task Force distinct from the technical work involved in any of the new co-operative activities proposed to start in 2004. There will be a need to monitor the effectiveness of the co-operation under the new Guiding Principles. This work would involve looking at how each participant’s different opinions and positions affected each phase of the audit work, how these differences were resolved (or what compromises were reached) and the impact on the final output. Areas of interest might include, but not be limited to, the formulation of the scope, the extent of harmonisation of procedures and techniques (methodology), standards and quality. Furthermore the framework for identifying and developing new co-operation beyond 2004 needs to be maintained.

16. Finally, at their meeting in October 2003, the Liaison Officers of the current Member States and the Acceding Countries discussed how to achieve the balance between a Task Force that is big enough to ensure full and fair representation of views and yet small enough to achieve effective discussion and decision making. The Liaison Officers agreed to return to this matter in implementing any new Mandate granted to them by the Contact Committee for 2004. Currently the membership of the Task Force is Denmark, the ECA, France, Germany, Ireland, the Netherlands, Spain, Sweden and the UK.
RESOLUTION
ON PUTTING THE PRINCIPLES INTO PRACTICE

The Contact Committee,

Determined to improve the framework and conditions for co-operation between the National Audit Institutions and the European Court of Auditors,

Resolved to make progress together on the basis of a common interest in enriching its work and in deriving the maximum added value from the act of creative and flexible co-operation over and above the particularities of any one system,

Considering that application of the Statement of 8 Guiding Principles adopted at this 2003 Contact Committee meeting would contribute to these aims,

Recognising the extensive range of potential future areas of work identified by the Task Force and endorsed by the Liaison Officers,

Responding to the current priorities and expressions of interest emerging from those options,

Welcomes and is pleased to accept the Netherlands offer to Chair a new group on Financial Management of EU funds (Trend report),

Welcomes and is pleased to accept Ireland's offer to Chair a small group which will develop proposals for work in the area of Procurement,

Endorses the possibility of a group to work in the area of Agriculture and hopes that a volunteer to lead that work in 2004 will be forthcoming,

Recognise the continuing value of and need for the work of the Liaison Officers and the Task Force in developing and monitoring co-operation between its members.

On new areas of co-operation (in Financial Management, Procurement and Agriculture)

- mandates the groups to take forward these areas of co-operation - applying the Guiding Principles adopted by this 2003 Contact Committee, and
- asks each group individually to Report progress and results to the Liaison Officers meeting and to the Contact Committee in 2004

Furthermore the Contact Committee

- confirms that at its 2004 meeting it would also be pleased to receive a report on the activities of the current, informal VAT group.

On maintaining and continuing the overall impetus for co-operation

Mandates the Liaison Officers to continue their work to promote and facilitate effective co-operation generally and specifically to:

- explore further the practical and technical issues affecting co-operation including approaches to planning, scoping and methodology and the need to operate within the wider audit network so as to avoid any non-productive duplication of activities,
• monitor and evaluate the impact of the practical and technical issues raised as well as how issues were resolved, trying to achieve the full operation and implementation of the principles of co-operation,

• keep open and under review the "long-list" of further topics as a basis for bringing forward future proposals for co-operation

• Provide a further update to the 2004 Contact Committee on the progress made and the results.

Prague, 9 December 2003